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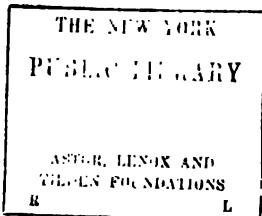
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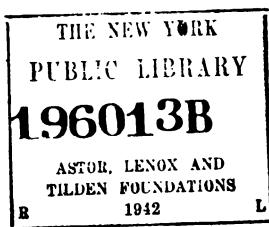
LETTERS TO AN AGENT, FROM THE PATRIARCH.

A FAMILIAR BOOK OF INSTRUCTIONS FOR FIRE INSURANCE
AGENTS, IN THE WHICH DIVERS TOPICS ARE TREATED
IN A MANNER QUITE UNLIKE THAT ADOPTED
BY THE MORE FORMAL WRITERS.

BY C. C. HINE.

NEW YORK:
THE INSURANCE MONITOR.

1876.



Entered according to act of Congress in the year 1876, by C. C. Hine, in the
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THESE LETTERS were begun as contributions to the *Insurance Monitor* while it was yet in the hands of its former proprietor, and were continued at intervals for several years after that journal passed under its present management. During the time of their intermittent issue they attracted considerable attention, and numerous requests have been made, from time to time, for their publication in a volume for general circulation. It is the hope of the author that this edition of the Patriarch's effusions; translated out of the original Greek and with the former translations diligently compared and revised; will meet the expectations and satisfy the cravings of those who have clamored for it!





LETTER I.





LETTERS TO AN AGENT.

FROM THE PATRIARCH.

LETTER I.

Introduction—Over-Insurance—Indemnity, not Profit, the Central Idea of Insurance—An Agent's Position one of Trust and Responsibility—Never let Profit be Made out of Insurance—A Mortgagor's Claim and How to Settle It—How to Write Mortgage Insurances.

MY DEAR BOY—Before I proceed to answer your numerous and intricate queries in detail, I wish to impress upon your mind a few fundamentals, which you now think you know, and do know so well that you—forget them every day of your life, in practice!

For example: You knew that Wilkinson's store only cost him \$6,800, and when you permitted his special pleading of "profitable occupancy" to override your judgment, so that you gave him a policy of \$7,500 on the building and another of \$1,200 on the rents, you did wrong, and you knew it; and if the property should burn, under the existing facts as you and I know them, if I were an officer in either of your companies sustaining the loss, I would

sue you at once for the whole amount! I would do that very thing, my boy. I would endeavor to bring the matter home to you with such smarting emphasis that you would never again make such criminally stupid waste of other people's money; never again manage their business after a fashion that you would be ashamed to manage your own.

The point I wish to impress upon you in the outset is this: INDEMNITY—not profit—is the central idea, the very corner stone of insurance.

So arrange insurance that men can make money by burning their property and they will burn it! You know that already, do you? Well, then, why do you not practice upon it?

Let me tell you some other things that you know. You know that Wilkinson could build his store a second time for about \$500 less than he did at first, and that he could complete it in six months; and if it should burn down to-morrow he would clear about \$1,800 out of the policies you gave him—something over twenty-five per cent. on his money; and you know also, that he likes to make \$1,800 just as well as the next man.

There are several things that you *know*, which you do not *REALIZE*!

If murders were profitable, there would be a great many more of them; men will do almost anything for money. This love of money, which is the root of all evil, frequently impels men to crime to obtain sudden gain. "Gain!" is the war-cry of the whole trading world. Men do business to make money, that is right and commendable; but men do *wrong*, also, to make money; they trespass upon the rights of the community and of individuals; and it is in this mixed multitude of good, bad, and worse that you are placed by your companies with a delicate and import-



ant trust—a power for good or evil to *them*, which you may know but do not REALIZE.

Don't tell me that you *do* realize it;—remember Wilkinson! When you gave him an opportunity to make eighteen hundred dollars off your companies, you placed a temptation in his way and offered a premium upon crime; and if he commits the crime you will be accessory to it; and if you will be honest with yourself and your companies, you will look at it in that light, and cancel his policies at once down to a point which would render a fire disastrous to him as well as his insurers.

Now, good-bye Wilkinson. But, my boy, do not fail to learn this most important fundamental rule in your profession: *Never to grant an insurance out of which profit can be made by the insured.*

And remember, too, that this admonition is not exhausted on unoccupied or unproductive property. There are men smart enough and bad enough, to perceive and take advantage of the very points wherein *you* fancy safety dwells, and who would just as soon burn a good, new building to make eighteen hundred dollars, as a poor, old one—nay, sooner, because apparent “lack of motive” would avert suspicion and make the operation comparatively a safe one!

I have other fundamentals for your profitable consideration, but will reserve them for future communications, and answer now the particular query which suggested the selection of the above as Fundamental Number One.

You make the following statement and inquiry:

“A's warehouse was worth six thousand dollars and he had an insurance on it of five thousand. B had a mort-

gage of four thousand on the property, and a policy for that sum in his own name as mortgagee. A fire occurred, nearly destroying the building. A's business being of great value he proceeded at once to rebuild and repair, and within two months completed and again occupied his warehouse, which is now as valuable as it was before the fire. B gave his insurers prompt notice, and made out his claim for a total loss, but payment was delayed sixty days, and, now that the building is restored, the company declines to pay B, alleging that he has sustained no loss as mortgagee. Ought the company to pay B? If not, ought it to share the loss sustained by A's insurers?"

And you argue both questions affirmatively, because, 1st —The insurance was against loss by fire; 2d—The property was destroyed by fire; 3d—There was good faith and fair dealing on the part of both policy-holders; 4th—B paid and the company received the premium, which was a fair consideration for the risk assumed.

Ans. 1.—As the company insures B only "*upon his interest* as mortgagee," THAT INTEREST is all it is bound to protect; and as that interest has not sustained ultimate injury, the refusal to pay is right. If it should pay, B would have to assign his mortgage to the company, and it would collect the amount from A.

Ans. 2.—B's insurers can not be called upon to pay with A's *upon the building*, for the simple reason that *they did not write upon it*. Their policy was upon *an interest*, and the only question for them to consider is this: "Has the MAN that we insured sustained loss upon the SUBJECT that we covered?" If yea, pay—if nay, refuse.

Your four points would be good in an *ordinary* case of double insurance, but, my boy, you must learn to discriminate; and before you again advocate a claim for B, or any

other man, you must be able to show that he has lost something, and that that something is covered by his policy !

I can not let you off this time without a short "improvement" upon the above statement and discussion, and a "practical application" of the aforesaid Fundamental Number One.

Suppose A's business had *not* been valuable, and he dishonest or bankrupt. The warehouse would not have been rebuilt (unless the companies in self-defense had combined to rebuild); he would have collected his five thousand; B would have collected his four thousand; B's company would have had a transfer of the mortgage—now attaching to a piece of ground worth say three hundred and fifty dollars, but unsalable; and A and B would have had *such* a pleasant time in figuring out how eight to nine thousand had been realized on a building worth (perhaps) six, and they would have moralized so feelingly on that most beneficent of modern philanthropies —Insurance; and said *what* a splendid fellow the agent was, and winked at each other *so* knowingly, and all that. You see the point, my boy? You see how just the case you have described *might* be turned into PROFIT instead of INDEMNITY? Well, A and B are all right; *they* are honest men, of course, and everybody knows it; but when C comes to you with a mortgage on D's warehouse for insurance, just tell him that the best way is for D to come and get out the policy in his own name, "loss, if any, payable to C, mortgagee," and then turn it over to C as the needed and proper collateral. The other way *may* be all right, but this one you *know* is.

I shall try to give you more light at another time on the malpractice of insuring a half dozen interests in the same property.

Write me often and freely. I will try and respond to your interrogatories, but shall scold you without grace for your obliquities, which are legion—as you and I very well know!





LETTER II.







LETTER II.

Insurance an Art rather than a Science—Importance of Sound Principles—How to tell a Good Agent—What the General Agent said—Decision and Integrity of Character—Learn to say No—Loosely-written Policies—Importance of Well-worded Contracts—Thoroughness enjoined—Authority of Agents Limited—Some Things which an Agent is not Authorized to Do.

MY DEAR BOY—I promised to indoctrinate you further in the fundamentals of our much misunderstood art. I say *art*, because the calling of an agent is more an art than a science. Your vocation is not developed by dwelling upon speculative principles so much as through a dexterous *practice*; and yet the principles themselves must be sound, and you well rooted and grounded in them if you would reach the highest mark of excellence and be truly accomplished.

A General Agent of one of your companies, on his return from a recent tour, said to me: “Without knowing a soul in a town I visit, I can always tell before I have been there an hour which is the live agent. As I start from the depot I learn which companies he represents, for I see his house-plates on the best risks. When I get to the hotel I learn his name, for his cards are there displayed in

the most advantageous positions, and if I make any inquiries of the landlord or of the principal merchants, his is the name first and most naturally mentioned. If I approach his office, I observe that his signs seem to know what is required of them, for they have gotten where they are sure to be looked at. If I turn the knob and walk in, I find an office that looks like business, and if he happens to represent our company I always have a treat in the examination of well-kept books and files, where applications, diagrams, side notes of value, well-worded policies and well-selected risks are the rule. He is always glad to see a supervisor, for his active mind has discovered some problem in the business which he wants solved, and the visitor himself must be wide awake or he will find himself in an awkward corner. Competition sometimes assumes so mean a phase as to make him indignant, but never desponding. He never 'squeals,' but, summoning a determined and energetic spirit, creates new resources and overcomes all obstacles. In short, he is the leading insurance man in that town, and will probably be a leader and a model and an honor in some town and some profession, all the way through life."

This little speech from your General Agent was made to me in confidence, but I think I may safely and profitably trust you with the secret; specially as he has said just what I wanted to, and said it better than I should have done. And, if I may, without being irreverent, quote a another and better author, I will invert the practice of the cloth and name the text deducible from the above sermon, give you a fundamental, professional and personal, and impart one of the grand secrets of success in life in the words "*Not slothful in business; fervent in spirit.*"

I can hardly think of an occupation that calls more im-

peratively or more constantly for decision of character and active integrity than yours. You are doing business *with* your friends and neighbors and *for* a distant corporation ; the natural tendency is to favor those nearest you. You are immediately interested only in your commissions ; if the risk burns it costs you nothing. You are left largely to act as you please by an employer that seldom visits or reviews your work. So circumstanced, you would be more than human if you did not need to be *vigilant with yourself*.

Let me give you a needed admonition ; *Learn how to say "No."* If the word is not in easy, familiar use, go behind the door several times a day and practice it ; it will be of value to you ; I have known it reach further than any other word of its length in the vocabulary ; I have known it save an agency more \$5,000 losses than you have uncles and aunts and first and second cousins ; it is the largest word of its size that you can pronounce. By all means learn how to say NO.

If you are successful in that essay, you will have proved your ability, in one case at least, to *say what you mean* ; and the ability to do that is evidence of one of the brightest accomplishments of an underwriter

When one considers the magnitude and importance of insurance contracts, he is struck with amazement at the laxity and ambiguity with which they are often worded. You have sometimes written, and your customers have accepted, policies for large amounts couched in such obscure, uncertain terms as to demand, perhaps, the intervention of the courts, with learned judges, intelligent juries, shrewd lawyers, and whole libraries of musty law to determine precisely what you did mean ; when either you or your customer would have blushed to execute a deed for one hundred dollars worth of land, without searching the records

and exhausting the formalities. And as for the *wording of the contract*, why you would cheerfully go through with all the tautology and vain repetition of give, grant, bargain, sell, bestow, impart, confer, convey, assign, release, relinquish, set over, warrant, and confirm unto him, his heirs, assigns, executors, administrators, or other lawful representatives whatsoever forever and ever and ever and ever, all the appurtenances and incorporeal hereditaments of some miserable garden patch ; and then turn around and write, and your legal friend Hamilton Jay would accept, a policy of " eight thousand dollars on his house " without one syllable as to its location, construction, occupancy, or exposure ; just those six words and no more ; and your policy-record would show only the double-distilled brevity of three words and some figures to express the sum insured !

You were younger, my boy, when you did that trick, but you have not attained perfection yet ; for blanket policies, abstruse policies, inapposite policies, non-concurrent policies, and policies full of words that darken counsel still abound in your reports ! " You didn't mean to cover both of Blivens' stables in policy 874 ?" Then why did you ? " And you *did* intend to cover Whaitley's store fixtures in No. 892 ?" Then why didn't you ? If there is anything that I do most unfeignedly admire, it is an unambiguous, straightforward, concise, clearly-written contract, just such as you *can* write if you will study good models, exercise care, and realize the importance of the transactions you are managing ; but just such as you do *not* write, one half the time, owing in part to your carelessness, in part to your ignorance, and in part to your conceit !

I would like to impress upon you in the most strenuous and indelible manner, the fundamental alluded to. It is all concentrated in one word, *thoroughness*, THOROUGHNESS !

THOROUGHNESS!! Solomon, Poor Richard, and myself—wise men all—agree perfectly in regard to its importance, and I could emphasize my exhortation with a whole broadside of grape and canister, as pertinent to insurance as any other vocation, each slug being worthy of letters of gold among your office mottoes; thusly : “What is worth doing at all is worth doing well ; ” “Never put off till tomorrow what should be done to-day ; ” “ Whatsoever thy hand findeth to do, do it with thy might.”

I must not spin out my paternal prosings so as to exclude response, in this letter, to your inquiry. You wish to know if you are authorized to erase or change the printed conditions of a policy.

You could have found an answer nearer home by consulting your commission, the certificate of authority under which you act. That document sets forth the sum total of your powers, and unless you find therein specific authority to erase printed conditions you have no such authority. I do not undertake to say that you could not mutilate portions of them, so that a jury, selected in your county, would declare the company bound by your act, but I do say that, in such a case, *you would yourself be responsible to the company.* There are decisions asserting the incompetency of even the President of a company to waive or change the printed conditions of a policy unless the Directory has specifically authorized him ; and this as against claimants for loss.

There are a great many things that you are *not* authorized to do unless you have specific instructions. For example ; you are not authorized to adjust a loss, or draw for money, or waive a condition, or make presents to fire com-

panies, or offer rewards, or give credit for premiums, or delay daily or monthly reports, or, generally, to neglect or disobey "the instructions of the company" as conveyed in their books, circulars, correspondence, or otherwise.





LETTER III.





LETTER III.

Increase of Hazard requires Increase of Premium—The Element of Bad Debts—Insurance not a Credit Business—Beware of Credit Companies—How to Handle the Credit Question—“Agency Balances”—Investment of Capital a Necessity.

MY DEAR BOY—I am surprised, after the experience you have acquired and the instructions I have imparted, that you should ask me such a question as the one now before me! I am a little in doubt whether you are an ignorant fellow honestly seeking light, or a quizzical fellow maliciously poking fun at my gray beard! I have, however, nineteen times out of twenty found the former supposition true, and shall this time benevolently adopt it, and proceed to shed upon your darkness the needed light.

This is your conundrum : “ If the insured increases the hazard in the regular course of his business, and the risk burns from that cause, does not the policy protect him, even though no additional permission or premium was given or taken, unless fraud can be shown.” And you allude to the case of Steele & Wood’s machine shop, insured as an

iron works, which was turned into a reaper and thresher manufactory by them, they introducing planing-machines and other wood-working implements, as well as paint and the necessary barrel or two of benzine, and so on.

Let me answer your question Yankee fashion, and ask you another. Steele & Wood were insured for fifteen thousand dollars, were they not? Well; would you be willing to pay them twenty thousand, they not having negotiated for more insurance or paid you any more premium? Ah! you would not give them an increased *amount* without a consideration! I thought perhaps you would be able to see *that*. Once more; they were insured for one year, expiring on the 27th of February; if the fire had occurred a month after that date, would you be willing to pay them—they not having renewed the insurance, or paid any further premium? So! I understand you to say you would *not* grant an extension of *time* without consideration. I am glad you are able to see that clearly also.

Now, my dear boy, let me give you another fundamental, and beg that you will read it over until it is indelibly stamped on your memory: *The premium is the price and the measure of the risk assumed; both as regards the amount covered, the time included, and the hazard contemplated.* The premium agreed upon for Steele & Wood's risk was as truly the measure of the *hazard* as of the time, or the amount, and to add new hazard without new premium would simply be to give new insurance without consideration.

Let me give you a quotation from Paul; not he of Tar-sus, but Samuel B., attorney-at law. In an exhaustive argument, recently made before the Supreme Court of Iowa, he says: "Covering additional hazard is making additional insurance as effectually as writing a different sum on a different property. Whatever powers might be presumed

in the agent, he was known to be an agent for the purpose of making insurances *for a consideration*—the representative of the defendant to dispose of value *for value*. The assured had as much right to treat the mere gift of insurance by the agent on an independent piece of property as binding on his principal, as he had so to treat the pretended extension of the policy to cover hazard which he knew was not contemplated in the original contract. He had no legal right to expect that new and additional hazard was assumed for the principal unless he also knew or thought that additional premium was to be paid therefor. The consideration paid in the first instance could not cover the case. It had not only been forfeited, but in fact exhausted itself on the risk originally contracted to be covered."

Are you answered satisfactorily? The point seems clear to me; I wish it had seemed *as* clear to all the courts that have adjudicated it, and then some of them would not have had the mortification of finding themselves at variance with me! They will come around into the light one of these days, however, and I will let my verdict stand on the record here and look for the good time when "decisions" and truth shall lean all in one direction. Lest I mislead you I will add that the weight of decisions is towards the doctrine above, but in many cases questions of fact have gone to the jury which have resulted in real or seeming conflict with it.

I desire to respond to all your interrogatories patiently and in a way that may profit and gratify you; but I really wish you would not be foolish! I have faith in the general integrity of your character and soundness of your judgment, but you evidently do not realize how unreasonable, not to say unjust, your fault-finding with your companies is, be-

cause they will not permit you to do a credit business. You do not understand that the element of bad debts does not enter into the calculation of premiums, and that no margin is allowed for them ; and you do not realize the fact that the only way for a company to avoid *bad* debts is to avoid debts of all kinds ; because of the wide-spread and wicked notion that it is no crime, but a virtue rather, to cheat an insurance company. It is my belief that the time is not far distant when it will be regarded as much a crowning honor ; as true a mark of a high-toned gentleman ; to swindle the underwriters as it now is to swindle the government ! No, my boy, you can not take notes, nor give credits, nor do any other thing about your premiums but collect and remit them promptly.

Let me put a small-sized bug in your ear ! If any company approaches you with that seductive feature, and offers that privilege as an inducement to business and a bid for your favor ; if it is a new company, reject it unconditionally, as a virtuous boy like yourself ought to do ; if it is one of your old companies, *be sure that from that time forward you keep the balances right so far as your own interests are concerned.* From the moment they are willing to trust others, don't you trust them. You may be sure there is a screw loose somewhere, and the sooner you get ready for a smash the better off you will be in the end. Mark me, my boy, I have not been watching straws all these years for nothing.

Let me tell you how you can handle this credit business —just as far as it is desirable to handle it at all. If you have a valuable customer, a man that you esteem good, but he is hard up, or absent when his renewal comes around, advance the money and remit as usual, saying nothing to the company about it. Hold the renewal in your own hands, and if he does not pay by the end of the following month

mark it "*canceled, not taken,*" and charge it in your next account just as you would any other canceled renewal or policy, returning it to the company. If he pays, you save your customer and make your commission; if he does not, you have done your whole duty by him, kept your account square with the company, lost nothing, and run no risk. The method is simple and effectual, avoids useless correspondence, and is the only one that will work; for, rest assured, the companies will not permit you to give credit or extend accommodations except on your own responsibility.

The term "agency balance" is a misnomer. There should be no agency balance. Your position is one of *trust*. You simply hold certain moneys that belong to your companies, that are, by instructions, remittable on a certain date; if you hold them back, or loan them out, or use them yourself, or credit them to delinquent customers, or otherwise dispose of them, you are practically guilty of a breach of trust, whose flagrancy is in exact proportion to your departure from the instructions of the companies.

You would not expect to prosper in the highest degree in any *other* business without the investment of some capital. You must not expect to find the vocation of an agent an exception to well-established business rules; the more money, the more skill, the more industry, the more method you invest in your agency the greater returns you will be likely to reap. Be a sensible business man, applying ordinary business rules to insurance, and you will be a successful and honored agent, and I will be proud of you.







LETTER IV.







LETTER IV.

Donations to Fire Engines and the Reasons why Companies can't Make Them—Telegraphing about Trifles—What not to Telegraph About—Maintain the Local Board—Reasons for "Inconsistencies" in New York.

MY DEAR BOY—Your prospectus for a new steam fire engine is received. I admire your public spirit, and wish you the most eminent success; but when you request me to “say a good word to your companies in behalf of the enterprise and secure a donation from them for its benefit,” I must take you into the back office and give you a private talking to.

Do you not remember how Sharpe, the lawyer, urged, in his speech before your town council, as one of the strongest reasons for procuring the steamer, that the increased security to property would at once reduce the rates of insurance so that the aggregate saving to citizens *from that one source alone would pay for the machine every two years?* And have you forgotten your inquiry about Duller's dry goods risk, expiring next month, which he, in view of the

proposed steamer, wants renewed at 1 instead of the old rate of $1\frac{1}{4}$? Do you not intend, as soon as the steamer arrives, to plead for a general concession in rates on the very ground that supported lawyer Sharpe's arguments?

You are now taking somewhere from fifteen to eighteen thousand dollars fire premiums annually. You favored Dulles' proposed reduction of twenty per cent., and you mean to favor other reductions of twenty per cent.; such a percentage on your whole business would amount to an annual contribution of \$3,000 from your companies alone towards a machine which, while it can prevent spreading conflagrations, throws such quantities of water as to make every trifling fire a large loss to the companies on *damaged goods*, and frequently raises the question in adjusters' minds whether it is a curse or a blessing!

Oh! you didn't think of that? Well, you comprehend it now, and will not, I trust, attempt again to pettifog a claim of this sort. If I had not relieved your purblindness, you would probably have sent in a memorial asking for a contribution to the next fire-wall, or slate roof, constructed in your town, upon the plea of preventing conflagrations!

No, my boy, the Fire Department *belongs to the town*, is gotten up *for the town*, and should be *supported by the town*. There is more real injustice to insurance companies under a more plausible guise in this species of tribute than in almost any other extorted from them. They pay constantly through reduced rates, and to ask them for *direct* contributions in addition is an imposition that an honest agent like yourself ought to be ashamed of!

What say? Don't be so rough on you? Well, my dear boy, I did not mean to be rough on you, but you have no idea of the frequency of these applications, nor of

the vexation attending them. Officers are annoyed beyond measure, and surprised at the attitude of agents who plead for them instead of realizing the facts and so managing as to relieve the companies from them ; and it is an intimate knowledge of the case that has induced me to treat it thus *in extenso*.

Having started a scolding letter, I believe I will fight it out on that line, as I wish to be profitable to you for re-proof and correction as well as for doctrine and instruction, and I have been so exercised, ever since you sent that telegram about the woolen mill risk, over your lack of discretion in that small matter, that I am fain to seize upon the first opportunity, and pour out a vial of my virtuous wrath upon your devoted and deserving head !

You wanted to know whether you might take one thousand dollars additional for ninety days, and you used words enough to make the despatch cost just one dollar and twenty-seven cents. The answer, if we had sent it, would have cost sixty cents. The rate on that mill is three per cent. ; the premium at short rates for the proposed risk would have been precisely twelve dollars. Now let us figure a little. Your telegram cost a shade over ten per cent. of the whole contemplated transaction, and our answer would have cost five per cent. more ; fifteen per cent.—not on the profits, but on the *entire price of the thing!* Now let me ask you as a business man, or a business student, or even a business infant, if you regard insurance as so unlike other commercial transactions as to be free from ordinary commercial rules ? and would you not regard any dealer who would spend fifteen per cent. of a gross sale, or five per cent., or one per cent. in telegraphing as a very absurd and extravagant man ? Would you

be willing to so spend one half of one per cent. of the gross sum of a current transaction in your own business?

One dollar and twenty-seven cents is not a large amount of money *per se*, but ten per cent. on gross sales for the one item of telegraphing is not only preposterous, but utterly inadmissible; and I beg leave to instruct that you will not henceforth telegraph asking about a risk or a rate or any other matter of current business, unless the parties wanting information pay for their own despatches. Losses and cancellations are about the only matters that will need aid from the wires.

Unless a risk has already been the subject of full correspondence, an officer can not act intelligently upon the meagre information contained in a telegram, and the operation is not only a foolish waste of money, but an utter failure to obtain satisfaction.

I was proud to learn of your action in sustaining your Local Board's rates and rules against the efforts of other agents to break them down. I realize the difficulties under which you labor, and assure you that you have the sympathy of your companies more than you sometimes infer from their scolding letters. The agency companies have large families and many rebellious children, a great many details to attend to, and only a moment of time for each. If they are sometimes brief, almost to curtesss, it is no wonder. I recognize, too, the force of what you say about their inconsistencies in New York and the apparent injustice of demanding from you a course more virtuous than that they pursue at home. But the *whole* truth may give you a different view from the one you express.

New York is not unlike other cities in the contending elements of insurance. Here are agencies of nearly every

company that can comply with our laws; here, also, is a great multitude of local companies, organized especially for "home" business, whose policies are all issued over their own counters, and cover only on property right here. Many of these agencies and companies are managed by men as reckless and unscrupulous and incorrigible as the worst in or out of your own board; *several of them are not members of our board, and we have no means of persuading or compelling them to become members?* We are as you would be with a portion of your agents under instructions from the parent offices not to join the board, and several home companies managed by your own citizens also opposed to it. Our difficulties are greater and our inconsistencies less than you thought for.

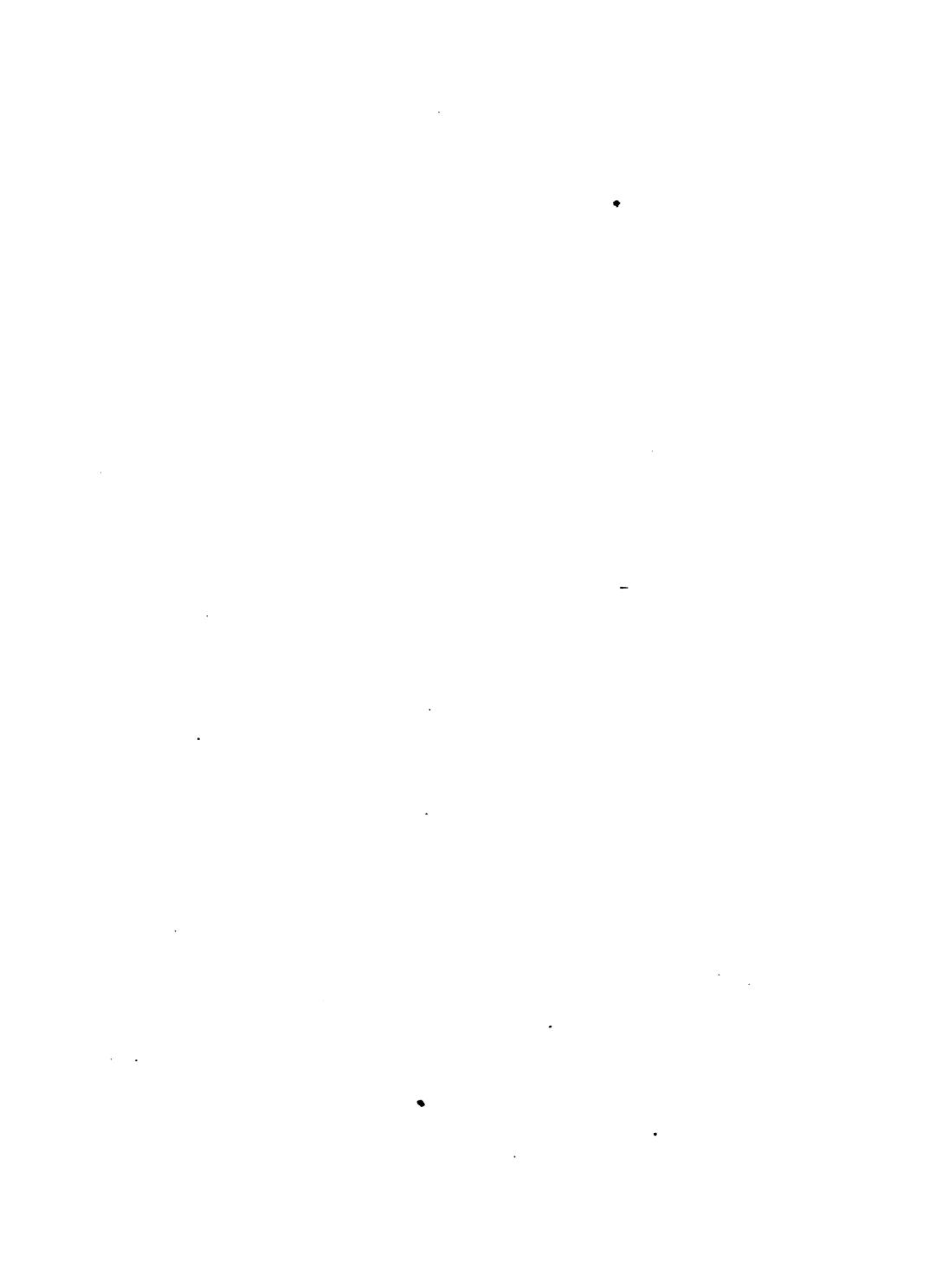






LETTER 'V.'







LETTER V.

A LETTER TO THE PATRIARCH CONCERNING EXTRA SPECIALS AND OTHER THINGS, AND HIS RUNNING RESPONSES TO THE SAME.

Where the Profit Does and Does not come from—Non-Hazardous, Hazardous, Extra Hazardous, and Specially Hazardous—The Lower the Rate the Smaller the Line—Distribution of Risks; “Little and Often”—Concerning a Barrel of Flour.

MY DEAR PATRIARCH—I have read your letters with great pleasure and profit and it occurs to me that perhaps you will have the grace to answer some questions which have arisen within the limits of my brief experience. We read in the books about “non-hazardous,” “hazardous,” “extra hazardous” and “specally hazardous” risks—we call them first, second, third, and fourth class, for short, out West—and it seems to be regarded by our instructors in this region almost as axiomatic that “non-hazardous” risks always pay the underwriter; therefore, this is the only class where concessions may be made by the local agent. The second

class pays the company, not because losses do not occur, but owing to the *magnitude* of the business done in that line. Is your boy right so far?

[Right, beyond a doubt; but your *mode of putting it* reminds me of the Dutchman whose lager cost him twelve cents a quart while he sold it at ten, and, on being asked how he could afford to do that, replied, "Shust because I sells so MUCH of him!" *Even a wholesale trade must obtain remunerative prices;* and "concessions" may be made on the *best of risks* until the marrow is all out of them. Bearing these two limitations in mind, you may practice on your theory with safety.]

The third class pays if you have a first-class agent to select the risks. The fourth class *never* pays any one but the unprincipled local. These truths being self-evident, are we not safe in saying that a company that keeps them in view and acts accordingly must (other things being equal) be a success? or, Will not prudent companies write full lines on the first three and as little as possible on the fourth?

Again, suppose a gentleman asks me for \$10,000 on his dwelling and \$4,000 on his flouring mill, should I take the \$10,000 and \$1,000 on the mill, and then go to my neighbor and get three other policies, each \$1,000, holding myself in readiness to return the favor at any time, thus securing the dwelling and \$1,000 on each of four mills; in fact, getting the same premium, but, what is far preferable, having *four* mills instead of one?

Again, if the legitimate rate on the mill is 4 per cent., but competition reduces it to 3 per cent., would I be justified in taking the \$1,000 at 3 per cent., or should you prefer \$4,000 at 4 per cent? or, taking four mills, they would pay only \$120, taking one mill it would pay \$160, will

the chances on *four* mills be worth more than \$40—the difference in premiums? What will my dear Patriarch say to all this?

[The Patriarch admires your ingenuity and your circumvolution, my boy, but he takes a long breath, wipes his specs, and freely admits that you have asked him more questions in a minute than he can answer in an hour! Doubtless “prudent companies” *will* avoid all the bad risks and secure all the good ones they can. The question is evidently dawning upon you that has puzzled wiser heads than yours or mine: “What shall be done with these great industrial interests of the country—these saw-mills, planing-mills, oil refineries, and the like?” Men have put their money in them; moderate men, in many instances, who can not afford to run the risk, and who deserve protection; the country *must have* these interests developed; it is under lasting obligations to the men who embark in them, it understands perfectly well that insurance is the *servant* of commerce, not its master (the Sabbath was made for man, not man for the Sabbath), and yet no feasible plan has yet prevailed whereby extra specials can be insured without loss to the general underwriter!]

The dilemma could be escaped by charging rate enough, but when insurance costs eight, ten, fifteen per cent., the tariff is prohibitory, men *can not* pay it, they must go without insurance or go out of business, and as they can not afford to do either, the old perplexity recurs, What shall we do with them? I trust the day will come when, through improved construction of premises, better police regulations, new efficiencies for extinguishing fires, and other advancements of the age, these vexed questions will be profitably solved; but, in the light of past experience, I must say that I see no safe present motto for “prudent companies” who

have miscellaneous extra specials presented but "Stand from under."

You have always one expedient, however, and that is to correspond with each of your companies concerning each special hazard as it comes up. One company may have peculiar facilities for understanding a particular hazard which another has not. There is one in this city which devours tanneries as an ostrich would gobble old shoes; and it always makes money out of them. The New England mill mutuals paid enormous dividends while they stuck to cotton and woolen mills, and only lost when they ventured to write on brick storages or detached stone quarries! Quite a number of the companies have reduced the steam saw-mill question to a point where they can handle it and make money out of it, and where a company thinks it can make money there it will write.

Your notion of *distributing* risks is accepted as sound by all underwriters. "Little and often" is an orthodox sentiment among "prudent" companies, *always provided that each little is a good one*. If, in swapping around, you should get one \$1,000 on a shabby mill it would have been better to keep the whole of the original \$4,000, if first-class.

If the "legitimate rate" is 4 per cent., what is the use in asking or answering any questions about a reduction? Always *get* the "legitimate rate" or decline the risk; and, please do not again ask your aged friend whether, under any circumstances, illegitimacy is allowable! Even a multiplication table would blush to be asked whether you would be "justified" in saying 4 times 1 make 3 if competition demanded it!]

Again, suppose my wife should say to me, "My dear, we must have a barrel of flour to-night" (if I were a "local"

instead of a special, as I am)—and I knew by taking Jones' mill, which I had refused so often, the commissions would pay for the flour—should I take the risk, or go and get the flour and charge it to the company? as their special said the other day when he was here. Of course, he did not intend that I should take it literally; but suppose I should, what then?

[If the company "stood it," you would have a cheap lot of bread; if it did not, the flour would cost you no more than if you had not tried the experiment, so it may do to "try it on," anyhow. It may not improve your standing with the company, or their ideas of your general intelligence and honesty, to find a barrel of flour charged in your account, but of that you must be the judge. *Continue to decline Jones' mill at all events*, even if you do not have a pound of flour in your house for a year!]

But I see that my questions are quite extended, and will refrain from asking any more till I get your answers to these.

I am, very truly,

ONE OF YOUR BOYS.







LETTER VI.







LETTER VI.

ANOTHER ONE OF THE CHILDREN SPEAKS UP!

Increasing the Insurance by the Renewal Receipt—Renewing Indorsed Policies—Some Questions of Taste and Good Practice.



ENERATED SIR—An answer to the following questions will settle a dispute between one of the fraternity and myself.

Ques. No. 1.—Is it correct, or even allowable, to increase the amount insured under a policy by issuing a renewal receipt for a larger sum at the expiration of the policy without making any indorsement on the policy itself. EXAMPLE: A has a policy expiring to-day for \$1,000 on his dwelling, and wishes the amount increased to \$1,500. The agent makes no indorsement upon the policy, but simply makes out a common renewal receipt for \$1,500. Is it right?

Ques. No. 2.—Is it correct, or even allowable, to renew a policy for the original amount where a partial loss has

been paid during the year and the policy has been reduced the amount of such loss by indorsement on policy, without making another indorsement on policy, increasing the amount insured to the original sum. EXAMPLE : B sustains loss of \$500 on a policy of \$1,000, which is paid, and indorsement made on policy reducing sum insured that amount. Agent, at expiration of policy, issues common renewal receipt for \$1,000, making no indorsement on policy.

Ques. No. 3.—Is not the action of agent in Example B equivalent to that of agent in Example A, viz. : Increasing policy by renewal receipt without making any indorsement on policy ?

Ques. No. 4.—Should not new policies be issued in each case for the amount desired ?

Very truly, yours,

ANOTHER ONE.

THE PATRIARCH'S REPLY.

MY DEAR BOY—If your queries are concerning *good practice* merely, the answer will be different from those that would treat the *legal* aspects of the case.

In regard to questions 1, 2 and 4, there can be no doubt that the Examples A and B involve slovenly practice, and are *not* "correct, or even allowable," among those who take pride in clean work. If a policy has been changed by indorsements, either as regards the amount, the property, the location, or otherwise, it is better not to renew it, but to issue a new policy instead.

On pages 91 and 92 of the recent edition of Hine's In-

struction Book, published for the Home Insurance Company of New York, it is thus written :

" Do not increase or diminish a policy by indorsement, but if more or less insurance is wanted, cancel the old policy and make a new one for the amount agreed upon.

" Please observe this general principle : *Where important changes are to be made, we prefer that the old policy should be canceled, and so reported, and a new one issued.* Changes of amounts on an old policy disturb our classification, and changes in time confuse our expirations."

This goes even further than you ask for, but I copy it to show you that your notions of good practice are akin to those entertained in other quarters.

LEGALLY a *Renewal Receipt* is not a new contract, but simply an extension of the original sealed contract (Balt. F. Ins. Co. vs. McGowan, 16 Md., 47). It does not revive the policy as changed by indorsements, but as originally issued (Honnick vs. Phenix Ins. Co., 22 Mo., 82). I think, therefore, that the company could be compelled to pay the full amount under your " Example B."

As to " Example A," the same application of the above decisions would confine payment to the *original* amount, and would make it good for the *smaller* sum only; I should, therefore, respond to your question No. 3 that the transactions A and B were essentially different, instead of alike. Nevertheless the opinion is expressed in Luciani vs. Amer. Ins. Co. (Whart., Pa., 167) that insured may demand a new policy in harmony with the terms of renewal, and, if the renewal for \$1,500 was in good faith, and no clerical error could be shown, I think it not improbable that a claim could be sustained for the sum renewed. This view takes color somewhat from the drift of the more modern decisions, which seem to favor an individual as against a corporation,

In any event the particular case would be greatly influenced by the printed terms and conditions of the policy under which it arose. Such questions are exceedingly interesting, but are not always simple of solution. For practical purposes I commend my first rather than my last paragraphs to your consideration.





LETTER VII.







LETTER VII.

All about Blanket Insurance; What It is and How It Should be Treated—Seven Risks for One Premium—Specifications—A Conversation Between the Patriarch and One of His Flouring-Mill Customers.

MY DEAR BOY—Your urgent request to hear from me on the subject of *Blanket Insurance* has been repeated from so many sources that I consent to what seems almost a work of supererogation, and again cast my little stone at that which has been the target for orthodox rocks these many years.

As I revolve the principle and the practice of Blanket Insurance in my mind, I always reach these same conclusions, viz.:—*It is an unmitigated injustice to the Company, a shameful exhibition of loose practice in the agent, and an unfair getting of something for nothing by the insured!* If McSharpe insures his seven buildings for so much “on the seven,” it is upon the assumption that the amount covers equally on them all; *but a fire shows that it attaches wholly to one—THE ONE THAT BURNS*—and that the company has been carrying seven risks for one premium. This seems so plain and so preposterous, that I should regard it a “vain

repetition" to denounce it if I did not know that it was repeated day by day in practice throughout the country. McSharpe's case, and the cases of all his kindred can be reached only by advancing his rate seven times, or by getting a premium on the whole value of all the buildings, or by the average clause, or by specifications. And speaking of "specifications" reminds me that among the many words I have said, first and last, about Blanket Insurance, I do not remember a better thing than one I said to the *Monitor* a dozen years ago, and, under the circumstances, I believe I will venture to produce it right here.

I had a customer, a mill owner, an honest man—who never took anything he could not reach. I had insured his mill for many years in an orthodox way, but the Philistines got at him and offered to cut his rate and blanket his risk and grant privileges *ad libitum* and divide commissions, and the Old Harry knows what they didn't do to demoralize that man! But he knew me and my company, and while he knew that we were hard as bricks he knew that we were square also; and while he hated to leave me he hankered after the "inducements" which those wretches had laid before him. He came into my office one day and we "had it out," and this was how it was. I led him on softly at first, knowing just what he was coming to, and when he reached his flat-footed demand for a blanket of the most elastic sort, I turned on him, and, as an actual incident is much more impressive and instructive than a formulated rule, I am sure you will be interested in our little confab, and I only wish I could be just as sure that you would be reformed thereby.

MILLER—See here, Mr. Underwriter, this policy on my mill is all divided up! \$2,000 on building, \$2,000 on machinery, \$1,000 on engine and boiler, \$1,000 on grain,

and \$1,000 on flour. Now I propose to have it renewed as \$7,000 *on the mill and contents.*

UNDERWRITER—What are your objections to the policy as it now reads, Mr. Miller?

M. Objections? Why, if the mill should burn, the boiler and engine might not be damaged materially; and then a fire might occur when I had no grain or flour in the mill, in which case there would be from two to three thousand dollars of insurance that I would not realize, although I have paid for it and am justly entitled to it.

U. Then why not reduce the amounts on those items to the sum you would probably lose?

M. Why, because I am just as liable to burn with *large* stocks of grain and flour on hand as the other way, and in *that* event I want them covered.

U. Then the fluctuation of stock seems to be an unavoidable incident of the business. It might be provided for by looking ahead and taking out insurance for one, three, or six months, as the case might be.

M. No, no! I don't want the bother of watching the expirations of short insurances. I want \$7,000 on the mill and contents, and then if I lose that amount on mill and contents I can get my money.

U. We always give timely notice of all expirations, short or long, and will cover for just such amounts and for just such periods as the exigencies of your business require, notifying you promptly of each separate expiration. We wish to afford every facility to our patrons.

M. You don't understand me at all! I want this policy worded so that if I lose \$7,000 on anything or things touched by it, in whatever proportions, I can realize the full benefit of the whole insurance I pay for. If I have no stock, and the mill and machinery make a loss of \$7,000,

I want it. If the mill and machinery prove of small value, and I lose \$7,000 in wheat, I want it. If the engine and boiler are saved, and the others make \$7,000 loss, I want it. I pay for \$7,000 insurance, and I don't want it frittered away by specifications. This would be no floating insurance ; it is not like risks a mile apart; it is all in one building, one risk ; part burn, all burn. I want what I pay for.

U. I do understand you perfectly, and did from the first. Instead of wanting what you pay for, you want four or five times what you pay for. You only pay for insurance on a *fraction* of the value of four or five items, and in certain contingencies you want to collect for its *full* value on either. You want the insurance to float around from one thing to another, putting four or five chances for loss upon us for one premium. That is, you want it ALL to apply to the building, *all* to the machinery, *all* to the grain, *all* to the engine, as the loss might be, while you *pay* for only a fraction of the value of each. You want it so arranged that by running out the stock or wearing out the machinery you would be largely over-insured, and so have a nice opportunity to 'sell out' at a profitable figure. You want the privilege of making four or five different applications of the indemnity for which you intend to pay but once. You now pay for \$1,000 on grain, and in a certain event you want to demand \$7,000 on grain—seven times what you pay for ! If you want \$7,000 insurance on grain why don't you pay for it—and \$7,000 on building, *why don't you pay for it*—and \$7,000 on machinery, *WHY DON'T YOU PAY FOR IT?* Why do you practically undertake to get a half dozen insurances, and then slink out with paying a single premium ? That's the question ! Why don't you pay for what you demand before you talk about getting

what you pay for? The insurer has some rights as well as the insured, and he is either a fool or a coward if he does not see those rights respected.

You believe in "specifications" just as thoroughly as I do; the difference is that you want to name them *after* the fire, while I insist upon doing it *before*. You want to come forward—after the fire—and say, "I paid such a proportion of my premium on the building, and only such on the engine, and none at all on grain." I only demand that you do that thing *now*. This is reasonable, right, and business-like. The other is indefinite, vague, lax. Just say what you pay your money for—arrange the amounts to suit yourself, and the insurance shall be held sacred to that particular object, and never diverted to any other, any more than the policy to one man should be diverted to the benefit of another man.

You are totally in error in saying that your demands do not involve "blanket" insurance. The *principle* is precisely the same whether the insurance floats an inch or a mile, and your insurance will be done at this office only on one of four conditions. You must submit to the specifications, pay five premiums, take the average clause, and stand the losses pro rata, or insure the full value of your property. One of these, or just step across the street to the Blanket Insurance Co., A. Damphool, President—or to one of his numerous agencies throughout the country. That company takes five risks for one premium every day. If you admire that style of business, and feel safe under it, go there; otherwise, pay for what you get and stay here.







LETTER VIII.







LETTER VIII.

Short Rates Vindicated and Explained—Short Rates on Long Term Policies—Table—Short Rates on Buildings Declined—The Daily Report and Its Advantages—Objections Answered.

DEAR BOY—I want to answer your catechising about short rates very fully; for the advance of premium being in inverse ratio to the shortening of the time is a stumbling-block to some, and you need to comprehend it thoroughly. I had occasion in a paternal talk which I made to a lot of your big brothers at Chicago recently, to allude to an incident which occurred in your town some years ago and I will reproduce it right here.

You remember Boniface, who formerly kept the Mansion House? Well, he pitched into me furiously on one occasion, because my agent charged him short rates on ninety tons of hay which he had stored for shipment three months off. He was particularly heavy on the unreason-

ableness and extortion of a scale which assessed him forty per cent. of a yearly rate for twenty-five per cent. of a year's time!

Said I, The tariff at your hotel is three dollars per day, I believe?

Yes.

And yet you charged me two dollars for lodging and breakfast last week, and you always charge me one dollar for a dinner or a supper!

Oh, yes, he said ; but that is for a single meal, you know.

Precisely, said I ; that is the short rate. Now, you take boarders by the week for fifteen dollars, and steady customers as low as twelve dollars, do you not?

Certainly ; when people stay on we board them cheaper.

Just so, said I ; there you have it—long-term, annual, and short-rate. You are perfectly right ; so are we. Retail trade, the world over, is not done at wholesale prices. For periods longer than a year we diminish the rate ; for terms shorter we increase it.

There is not only an inherent justice in short rates, but there are other considerations which render them necessary ; a brief enumeration of a few may not tax your patience unprofitably, and may add a few convenient chips to your basket as you go marching on.

1. Short risks are generally *large* risks, as Cotton Sheds, Grain Elevators, Pork Houses ; the conservative principle of diffusion is waived and the opposite practice of concentration adopted to accommodate this class; hence short term losses are *large* losses. A capricious and concentrated business must pay a wider margin for violent fluctuations.

2. Short risks are usually wanted in the worst seasons, or during extra hazardous processes, or upon excessive

stocks, or to cover speculative values. A largely increased premium is necessary to make such risks desirable.

3. The amount of premium received is very small in proportion to the amount of hazard assumed. It is not sufficient answer to say that the time is decreased in proportion to the decrease of premium, because losses on short risks are commonly *total*; and quick, heavy work must be provided for by advanced premiums.

4. The principle of short rates is illustrated in Marine practice. A half per cent. will be charged for a cargo risk which terminates in three or six days, while the vessel that carries it is insured for twelve or fifteen per cent. *per annum*.

5. The labor of writing, reporting, and auditing a five day risk is the same as for one of five years. The risk may be lost at its early expiration and never renewed; or, if renewed, the same labor must be performed again. Capital is idle during intervals between short risks. Long term rates are reduced, short terms must be advanced to restore the equilibrium of the annual standard.

This sermonizing, with firstlies and secondlies, may be a little dry, but it is wholesome, my boy, and if taken often will do you good. Get yourself full of items of information, become versed in the *principles* of things, and you will be always ready for such customers as Boniface, and prepared with strong arguments for those who demand a reason for the faith that is in you.

SHORT RATES ON LONG TERM POLICIES

have presented a question out of which several very pretty muddles have been made! You would be entertained could you see all the ingenuity that has been expended by myself and other *quidnuncs* in this connection. I shall not record it here, however, for a gentleman named

Robt. C. Osgood has made the way of short rate cancellations for long term policies so plain that the wayfaring agent, though a fool, need not err therein—and here it is :

SCALE OF RATES FOR FRACTIONS OF THE TERMS FOR WHICH POLICIES ARE USUALLY ISSUED.

POLICY FOR					Retain this Proportion of the Whole Premium.
1 Year.	2 Years.	3 Years.	4 Years.	5 Years.	
If	the	policy	has	run	
1 mo.	2 mos.	3 mos.	4 mos.	5 mos.	4-20ths or 20 per cent.
2 "	4 "	6 "	8 "	10 "	6-20ths " 30 "
3 "	6 "	9 "	12 "	15 "	8-20ths " 40 "
4 "	8 "	12 "	16 "	20 "	10-20ths " 50 "
5 "	10 "	15 "	20 "	25 "	12-20ths " 60 "
6 "	12 "	18 "	24 "	30 "	14-20ths " 70 "
7 "	14 "	21 "	28 "	35 "	15-20ths " 75 "
8 "	16 "	24 "	32 "	40 "	16-20ths " 80 "
9 "	18 "	27 "	36 "	45 "	17-20ths " 85 "
10 "	20 "	30 "	40 "	50 "	18-20ths " 90 "
11 "	22 "	33 "	44 "	55 "	19-20ths " 95 "
					And refund the balance.

(Entered according to Act of Congress in the year 1871, by Robert C. Osgood, in the Office of the Librarian of Congress at Washington.)

FRACTIONS OF MONTHS COUNT AS WHOLE ONES.—This rule is one of admitted propriety in the cancellation of twelve month policies; and although five months in a five year policy make a five times longer period than one month in an annual policy yet they bear precisely the same relation to the consideration paid, and should be submitted to precisely the same treatment.

If you want a RULE instead of a Table, commit the following to memory—you will want to use it once or twice every four or five years and it will be a convenient thing to know :

RULE.

Ascertain how many twelfths of the whole term have expired, then apply the ordinary Short Rate Scale: That is, if one-twelfth of the whole term has expired retain 20 per cent. of the whole premium and refund the balance; if two-twelfths, retain 30 per cent.; if three-twelfths, 40 per cent. and so on. Count fractions of twelfths as whole twelfths—just as in the cancellation of an annual policy you count fractions of months as whole ones; and, if any one growls at the rule, get out your pencil and show him how he is, after all, paying no more money for the time his policy has actually run than he would have done had he originally contracted for that term instead of the longer one.

SHORT TERM INSURANCES ON BUILDINGS.

And now, as I have you by the button, I will not dismiss this topic until I have sharpened you a little on such transactions as the one under Policy 927, which we canceled last Thursday. What I have to say about SHORT RISKS ON BUILDINGS has been said by others, and better said probably, but you have not heeded it, and must not regard me as tedious for repeating it.

It is a safe rule not to issue short policies on buildings at all. Such risks do not result well as a class; the buildings are often on leased ground, or occupied temporarily for some unusual or experimental business, or not occupied at all, or encumbered with a new mortgage or an old grudge; or there is some other reason, good or bad, why thorough inquiry should be made, and the result fully reported with the risk—if accepted. If the applicant is permanent owner of a building, why does he want transient insurance? if he is not, ought he to have it?

THE DAILY REPORT.

You ask my opinion of the DAILY REPORT system. You could have inquired of one less positive in his convictions and obtained a more general view, perhaps, but I am willing to answer, nevertheless. My opinion of the Daily Report is favorable, and only favorable. The few feeble objections I have heard against it are nothing compared with its manifest benefits.

To the agent it combines application and report on one blank, both being made at one time and relieving him from the possible liability of saying one thing to-day and another thirty days hence. It does not increase his labor, but diminishes it rather, by spreading it evenly over the whole month, leaving him, at its close, nothing but his Account Current and Remittance to forward; this, where he has a number of companies, is an important item. It takes from him the responsibility of the risk so far as he can be released, and particularly does it alleviate the awkwardness sometimes experienced under the monthly system, when a risk, taken in the early part of the month, burns before it is reported.

To the company it gives early advice of its engagements. It imparts identity to each particular risk, and induces a more thorough study of it alone on a separate blank than it is likely to receive jumbled in with forty others. It abates the burden of officers by diffusing over the entire month the labor of examination, which, under the monthly system, is crowded into the first ten or twelve days, and hence tends to make the daily labors and routine of an office steady instead of spasmodic. It promotes amiability, and secures you a better tone of correspondence, while it gives more ample time for the consideration of each individual

risk, and a greater probability that you and your business will be better understood, and your good risks appreciated as well as your bad ones rejected.

The objections you suggest to the Daily Report are the stereotyped ones ; disturbing the uniformity of your office—one company wanting one thing, an other another—the difficulty of making satisfactory reports on risks that you bind and await full particulars, and so on. As you admit that, *of the two*, the Daily plan is the best, why not find fault with the *other* instead of this and seek after the desired uniformity by a general reform which substitutes the best throughout ? And in regard to the inapplicability of Daily Reports to incomplete contracts, you, unawares, point out one of its chief values ! Would a risk that is *not sufficiently understood to report* be a satisfactory one on which to adjust a loss ? Suppose it should burn before details had been agreed upon, who would furnish those details ? who would have all the advantage with a tremendous temptation to use it to your disgrace and your companies' loss ?

No, my boy, do not enter into any such agreements ; adopt it as a maxim that *any risk to be insurable must first be reportable* ; the hour a company becomes liable for a loss it may with propriety require advice of its engagements, and it is you who would be unreasonable in obstructing such advices, and not the company in demanding them.







LETTER IX.







LETTER IX.

Concerning Return Commissions—Human Nature as Illustrated by an Agent—The Eccentric Frenchman—Some Views from the Company's Side.

Y DEAR BOY—I am certified, by your letter, that “human nature” is prevalent in your region as well as elsewhere! I never did see a *real good* boy who was not fond of candy, and I never knew a real tip-top agent who did not like commissions, and, when once he had them in possession, who could not see ample reasons for retaining them, while he was blind as my old horse Charley to all that could be advanced in favor of returning them or any portion of them! I propose, therefore, to preach you a short discourse on the interesting text

RETURN COMMISSIONS.

You say the risk was approved by several companies and had cost you no little time and labor to secure, and when the order for cancellation came you regarded this company as *ultra* nice about its own interests and not at

all over-scrupulous in regard to yours; and you insisted that your commissions should be allowed.

I once heard of an eccentric Frenchman who rushed, with a red-hot poker, up to a staid old gentleman with : " Vill you permit me, sare, I vill stick him into you so far ? " —indicating about a foot measurement on the poker.

" Go away, you crazy rascal ! " shouted the old gentleman ; " no, go away."

" Eh ! no ? " exclaimed the Frenchman, with apparent surprise ; " vel den *so* far ? " indicating about six inches.

" Clear out, you villain ! " responded the other.

" Just von little inch, den ? " persisted the Frenchman ; which moderate request being sturdily declined, he demanded, " Vel, den, vill you not pay me for my trouble and expense to heat de poker ? "

Now, my dear boy it is not in my benevolent old heart to poke fun at you, particularly in connection with a matter of pecuniary loss or inconvenience to yourself, but the exhibition of " human nature " in your letter is, really, very entertaining. We can never " see ourselves as others see us ; " the company can perceive *your* absurdity and you the company's, but you and it can not get to each other's stand-points. I will give you some views from the company's side.

I. We do not believe in taxation without representation. If we must pay we will vote ; and when you, my dear boy, put " a great deal of time and labor " upon an uncertain risk and nail it, *sans ceremonie*, upon the company, without even saying " By your leave sir," you must not take it unkindly if we regard you as " ultra nice about your own interests and not at all over scrupulous in regard to ours." The rule, you see, works both ways, and is a tolerably good rule.

II. Having canceled the risk without receiving any pay for the period it was on our hands, it has already cost us 1st, The value of insurance for the time it was pending; 2d, The labor and expense of correspondence ; 3d, A shock to the confidence formerly felt in yourself.

III. The commissions you wish to retain would have to come out of *some other premium*. We never received the one refunded nor any part of it, and your proposition is, practically, that we shall pay double commissions on Brown's store because we decline to carry Smith's saw-mill !

IV. To allow commissions on such a transaction would amount to stultification. It would be paying for what we reject, rewarding what we disapprove, encouraging mal-practice, contradicting our standard rules, and pouring contempt upon the Fathers !

These views are conclusive among officers, and you only waste time in arguing against them. You must write it down as an inflexible rule of good practice, that *commissions must be credited to the company on all premiums refunded, for any reason.*

Not only in regard to this difficulty, but in regard to many others, you may get relief from perplexity by realizing, if you will, that the agent can not perform the officer's duty. The latter is employed by the stockholders direct, and held responsible for a prosecution of the business according to certain plans that may or may not be like those of other companies, or in accordance with your particular views ; and the stockholders have a right to adhere to whatever plans they please, because *they own the grocery.*

Do not take this in an offensive sense, because it is not so intended, although it may sound harsh or arbitrary. You get concessions continually from the officers; they de-

sire to work in harmony with you and to meet your views, but they can not and must not abandon the ancient landmarks.





LETTER X.



X.
His
letter
is sealed
to anyone



LETTER X.

Some Good Advice about Trust Funds—The Rise, Progress, and Dangers of a Fictitious Bank Account—Two Anecdotes of Abraham Lincoln—A Safe Maxim to Hang Up.

MHAVE neglected you for some time, my dear boy, and I feel guilty, because I know your ways and your constant need of my counsel and friendly monition. I have faith in you, and no sympathy whatever with those who denounce your class as sinners above all the Galileans; nevertheless I feel constrained to speak to you on a delicate subject, and to speak plainly. I study to benefit, not offend you, and will trust your good sense to take my hatchling in the same spirit that inspires it, for I am going to "make some remarks" on the subject of

TRUST FUNDS.

Go back with me a few years; you were younger then and less experienced, and the business in which you had been engaged had not given you the handling or the custody of considerable sums of money. Suddenly you found yourself, as an agent, collecting amounts which, before the close of the month, aggregated more than you had been

accustomed to take during a whole year. Of course you deposited it with your own account, it gave you pleasure, because it gave you importance, to be identified with money. You handed in your bank book, with several hundred dollars inclosed, with an air of consequence hitherto unknown; you were really surprised to find yourself a person of so much distinction, and, in moments of self-contemplation and castle building, a trifle impatient at the thought that you had not sooner discovered your own weight in the community. You began to observe, or you thought you observed, a growing deference in the cashier who received your deposits, and you let the notion grow upon you, that, somehow, all this money was yours, at least for the time being. True, as you checked for your monthly remittances, the balance became contemptibly small, but even that depression was momentary, as current collections filled the gap again.

You were conscious of power, and the consciousness pleased you, when you drew a large check. You flattered yourself with the false idea that you were checking against *your own* deposits, and you nursed yourself into a consequential attitude which was purely imaginary. You soon began to draw checks with more facility, *for other purposes than to close with your companies*;—was not your bank account large? should you not have the use of it as well as that soulless corporation during the time it remained under your control? where was the harm?

Thus it was not long before you were compelled to delay your monthly remittances a few days, to collect August premiums with which to pay July balances, and you shortly got accustomed to this state of affairs and to using your companies' money as a regular thing and for such purposes as suited your convenience. Tut! tut! tut! don't deny it,

that only makes the matter worse ; I have been there and know all about it, and, besides that, have been observing you very closely for a good many years. I do not say that you may not always have gotten off your draft and kept your account good at the home office, but I do say that you were not always proud of the expedients you adopted in order to seem prompt !

Now, my dear boy, I beg of you to recognize *the dangers of a fictitious bank account*. I exhort you to understand that many a defalcation has occurred, many a family been ruined, many a proud reputation has bitten the dust because men have nursed just the same unreal self-estimate that you have nursed, and indulged the same improper practices that you have indulged ; be honest with yourself now, my boy, and thank me for my plain talk instead of turning up your nose at an old man. Young folks are apt to think old ones are fools, but old folks *know* young ones to be such. Remember honest Abe Lincoln (ah ! what a model insurance agent that man would have made) ; you may remember, possibly, how Mr. Lincoln when a young man was appointed by President Jackson postmaster in the obscure village of New Salem, Illinois, where he then lived, and that most beautiful illustration of his rigid honesty in the settlement of his accounts years afterward. It was after he had become a lawyer and had been a legislator, having passed through a period of great poverty and having acquired his education in the law, surrounded by inconveniences, perplexities, hardships, and temptations such as would have induced many a man to "make a temporary use" of any money he might have had in his hands ; that, one day, an agent of the Post-office Department entered his law office and inquired if Abraham Lincoln was in. Mr. Lincoln responded to his name and

was informed that the agent had called to collect a balance due the Department since the discontinuance of the New Salem post-office. A shade of perplexity passed over Mr. Lincoln's face, which, being observed, one of his friends present said, "Lincoln, if you are in want of any money, let us help you." He made no reply, but suddenly rose and drew out from a pile of books a little old trunk, and, returning to the table, asked the agent the amount of the debt. The sum was named and then Mr. Lincoln opened the trunk, pulled out a little package of coin wrapped up in a cotton rag, and counted out the exact sum, amounting to seventeen dollars and some cents. After the agent had left the room, he quietly remarked that *he never used any man's money but his own.*

There, my boy, is a model treatment of trust funds, which you and I and all our friends may copy with profit. That money had been in his hands through all those years of toil and temptation, but he had never regarded it as available, even for the most temporary purpose of his own.

Another incident illustrative of his perfect conscientiousness and tender sensitiveness *in regard to other people's money* was when he, a young clerk in a country store, had sold a woman a little bill of goods, amounting by the reckoning to two dollars and six and a fourth cents. He received the money and the woman left. On adding the items again he found he had taken a sixpence too much. It was night when he discovered the error, but, closing the store, he started out on foot, a distance of more than two miles, to the house of his defrauded customer, and delivering to her the sum whose possession had so much troubled him went home satisfied.

Old-fashioned, was it? Useless particularity, eh? Cast out that notion, my boy, as you would cast out a devil;

it is the very prompting of him who offered to barter off all the kingdoms of the world and the glory of them for a recognition of his falsely-assumed position of importance, when he did not own even the percentage of a commission in that with which he proposed to make so free !

Hang up as your maxim, *I never use any man's money but my own*, and, abiding by that maxim, put your trust funds in a separate box or a separate deposit and reserve them solely and sacredly for the purpose of transfer to their owners, your companies ; lest by some means the tempter tempt you and our labor be in vain.







LETTER XI.







LETTER XI.





LETTER XI.

About the Adjustment of Losses—How not to Do It—No Two Cases Alike—A “Short, Sharp, and Decisive” Raking Down of an Unreasonable Agent.

MY DEAR BOY—Your notions about *adjusting losses* are crude, and will probably always remain so, unless your experience is relieved from two elements or sets of facts which now so largely give it color: 1st, The exceedingly limited scope of your operations, which keeps you ignorant; 2d, Settlements exclusively with your immediate friends and neighbors, which keep you warped.

It is very well to study law books, and adjustment books, and form books, and all the insurance books you can obtain, but it is the testimony of the ablest and oldest adjusters, after settling hundreds of cases, that they *never found two alike*, and I assure you, my boy, that the hard school of outside experience is the only one in which young fledglings like you will ever secure knowledge concerning that most intricate and difficult of vocations, the adjustment of losses.

I am very much provoked with you at this present writ-

ing! WISE, our adjuster, has just returned from a tour which included your agency, and he relates a conversation he had with you that disappoints and grieves me, for I had looked for you to comprehend, by this time, your true relations to the company better than your complaints indicate.

You told WISE that our company is not in good odor; that the people do not altogether like her; and, when he wanted to know the reasons, you hemmed and hawed, and said: "Well, there has been trouble here in settling losses, and about some other matters. When Moore burned out they sent a man, and, after a very close examination, he offered \$400 less than the loss, and Moore had to take it or wait sixty days before he could push his claim, and as he wanted to go East for goods, he stood the shave. Moore is one of our best citizens, and the transaction hurt the company. Then Sharpe's loss was the cause of considerable noise and hard feeling; the other companies paid him without a word, but ours stood out and finally compromised on a law point for half the policy. Then she is excessively particular about rates, and has made me cancel several policies; that always does harm and makes a disturbance."

"Whose risks did you cancel?"

"Black's, over there, and Brown's, around the corner. Black is a very careful man and I took him a little low on that account; one and a quarter on stock. An agent, on the ground, knows all about the men he insures; and the company, at a distance, knows nothing about them; they should give me more discretion."

"Yes," said WISE, "I see. Black is in the middle of a row of five frames. You took him at one and a quarter; let me look at your tariff book."

And you brought out the very tariff I had written for you the year before, and there was Black's risk plainly marked "*building 5, stock 4,*" and you wrote him at $1\frac{1}{4}$, and had the hard hood to talk about the company giving you more discretion!

Brown's risk, "around the corner," was a frame carpenter shop, exposed by a livery stable, and was marked "*decline*" with a double underscoring. You attempted to put those risks upon us in open defiance of plain instructions, and then not only whined at their cancellation, but actually cited the results of your own folly as an excuse for stating that the company was not in good odor! Aren't you ashamed of yourself?

Now, in regard to those losses; I know all about them, for you remember, I came out to adjust them myself. Moore's was an old tenement house, insured for \$2,000. You had been positively instructed to reduce the amount to \$1,000 on renewal, but he refused to stand it, and, "rather than lose the risk," you renewed for the full amount, and the building burned five days afterwards. The carpenter's estimates were \$1,600 for a new building, and Moore called *that* "quibbling;" and you had not the manliness to contradict them and set the company right, and so permitted its reputation to suffer unjustly.

Sharpe's goods had been removed to a prohibited block, and, when he notified you, you "guessed it would be all right," and promised to write the company about it, but *forgot to do so*. Sharpe burned out, and the "other companies" sent an inexperienced local agent, as green as yourself, from a neighboring town, who suffered himself to be imposed upon, and recommended payment of the full amount. When I arrived I found the stock had been removed from a brick block to a frame row; there was no

indorsement on the policy, and no additional premium paid. You had *intended* writing us about it, and, if we consented, you *intended* to indorse the policy and collect the extra premiums, but had neglected to do anything whatever in the premises. Sharpe's books and invoices were all burned, his statement of loss was lame, his stock was ascertained to be reduced, and largely consisting of the remnants of a twenty years' career, whose value, at an outside figure, barely amounted to the sum insured. The circumstances of the loss were unsatisfactory, but nothing could be proven in regard to the origin of the fire. His verbal notification to you and the attitude you had assumed would have sufficed to hang a lawsuit on, and, as the cheapest way of terminating a bad case, I offered him fifty per cent. of the policy, which he snapped at (so quickly as to make me regret that I did not push investigations a little further before closing,) and then went about blustering that he had been swindled; and you, by your silence, practically indorsed all he said, and called it, in your complaint to WISE, a "compromise on a law point!" Shame on you!

I am glad that WISE made inquiries of a dozen or so of your business men, even though they confirmed your assertion that the company is not in good odor, for it is best to know the facts; but I can not express my disappointment, at the position you assumed in regard to those transactions and your failure to see that the root of all the trouble lay with yourself.

Why can not you more fully comprehend that you are the COMPANY's representative, not your neighbor's pettifogger? You practically hold our reputation in your hand, and, locally, we are a good or bad company, for the time being, just according to the nature of your administration.

Realize these things, my boy, turn from the errors of your ways, cease bothering your brain with the deep things of adjustment, and give your studious attention to the every-day business of your agency and a faithful discharge of the trusts confided to you, on the basis of the numerous and friendly letters I have sent you, and you will then enjoy the healthful consciousness of an easy conscience as well as the salubrious results of an honest occupation.

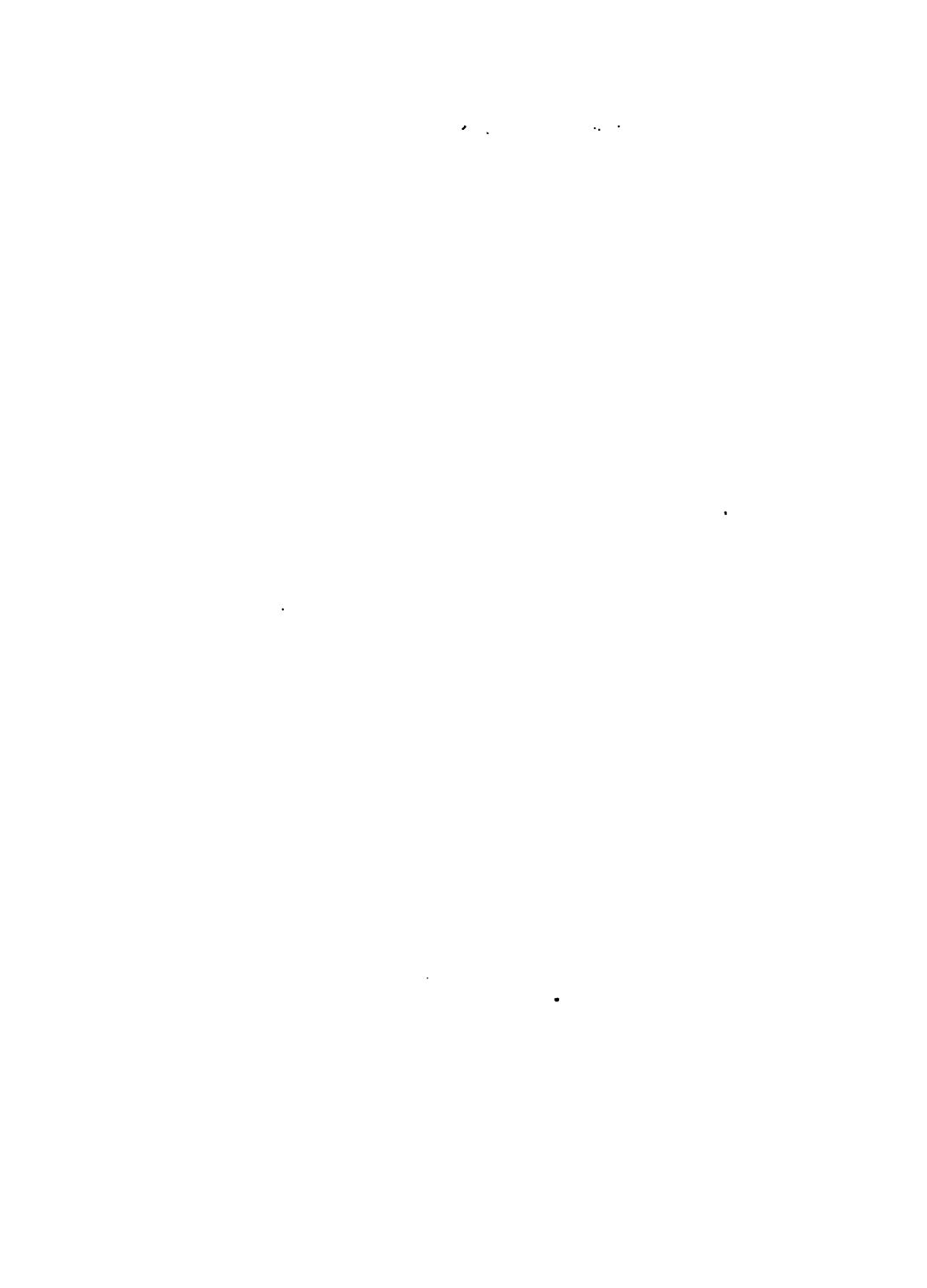






LETTER XII.







LETTER XII.

Discrimination—A Definition of and a Dissertation on that Much Abused Word—Learn to Discriminate Both Ways—Classification of Risks and the Knowledge Derivable therefrom.



O! SO! You want your company to allow you “more discrimination,” do you? Well, that is natural; I have known whole families of agents afflicted with the same desire. I have known an agent, six months old in the business, so profoundly impressed with the belief that he knew more about Schermerhorn's stave factory and Feuchtwanger's brewery, because he lived right there, than this old gray-beard could possibly know, because he lived in New York instead of Johnsonboro and did not enjoy the advantage of a personal acquaintance with those distinguished manufacturers, that he threw up his agency and published a two-column screed in the Johnsonboro *Clarion* denunciatory of insurance companies generally and our institution in particular—and the brewery burned the following week and the barrel factory

within the year; both well insured in the Eager, the Reckless, and the Etcætera Insurance Companies!

DISCRIMINATION.

The lexicographers define that polysyllable as the act of making or observing a difference; a separation, a selection, a distinction between; a contradistinction; as selecting the good from the bad.

In the fire underwriter's *theory* it means select risks, choice parties, good rates, safe lines, profit, dividends, happiness. In the agent's *practice* it means an acknowledgment by the company that such chaps as you are competent, on the narrow experience acquired within the limits of a single town or village, to set aside the teachings of a company's classified experience and the extended observation of its officers, and declare Feuchtwanger's brewery a good risk when the books and the officers pronounce it a bad one.

"Discrimination"—in the country—unlike Sparrowgrass' horse, is NOT a good thing to have! It means an *ad libitum* modification of the company's rules, rates, lines, practices. The discrimination which you plead for is always AGAINST the company. If there is the slightest goodness about the risk, the owner demands a reduced rate, or a blanket privilege, or some other recognition of its excellence, which is all well enough, perhaps; but if the risk is ever so bad only the *standard* rate for the *average* of its class can be gotten by weak-kneed young gentlemen of your ilk, and you turn upon the company with a plea for "discrimination!"

Discrimination, forsooth! Why do you not learn to discriminate BOTH WAYS? The sort you demand would ultimate in our ruin and such damage to yourself as always ensues to an agent who has represented a failed company.

How do I know? How do the life insurance companies

know that, at a given age, just so many persons out of each ten thousand will die annually? They study history and keep books; so do we. Probably you are not aware that all the reputable companies make what they call a "classification of hazards and losses," in which a Dr. and Cr. account is kept with each sort, and from which they ascertain that just so many in each thousand, of each particular class, burn each year, and from such and such causes. Having these data they KNOW that certain risks at certain rates are desirable and that others are not; and, added to this statistical beaconage, is the knowledge that comes of continual contact with risks; the probation which makes them experts.

I wish to assure you, my dear boy, that our rejection of risks is no mere whim or arbitrary dictum; we do not love to thwart and annoy esteemed agents; we dislike to appear unappreciative or hypercritical; we want business; we seek risks; we only aim to temper all our transactions with that true discrimination which comes of experience and a wide observation of the business, and we honestly believe that if you will make the same hearty effort to meet our views in this matter that we are making to meet yours, harmony will be reached and friction banished.



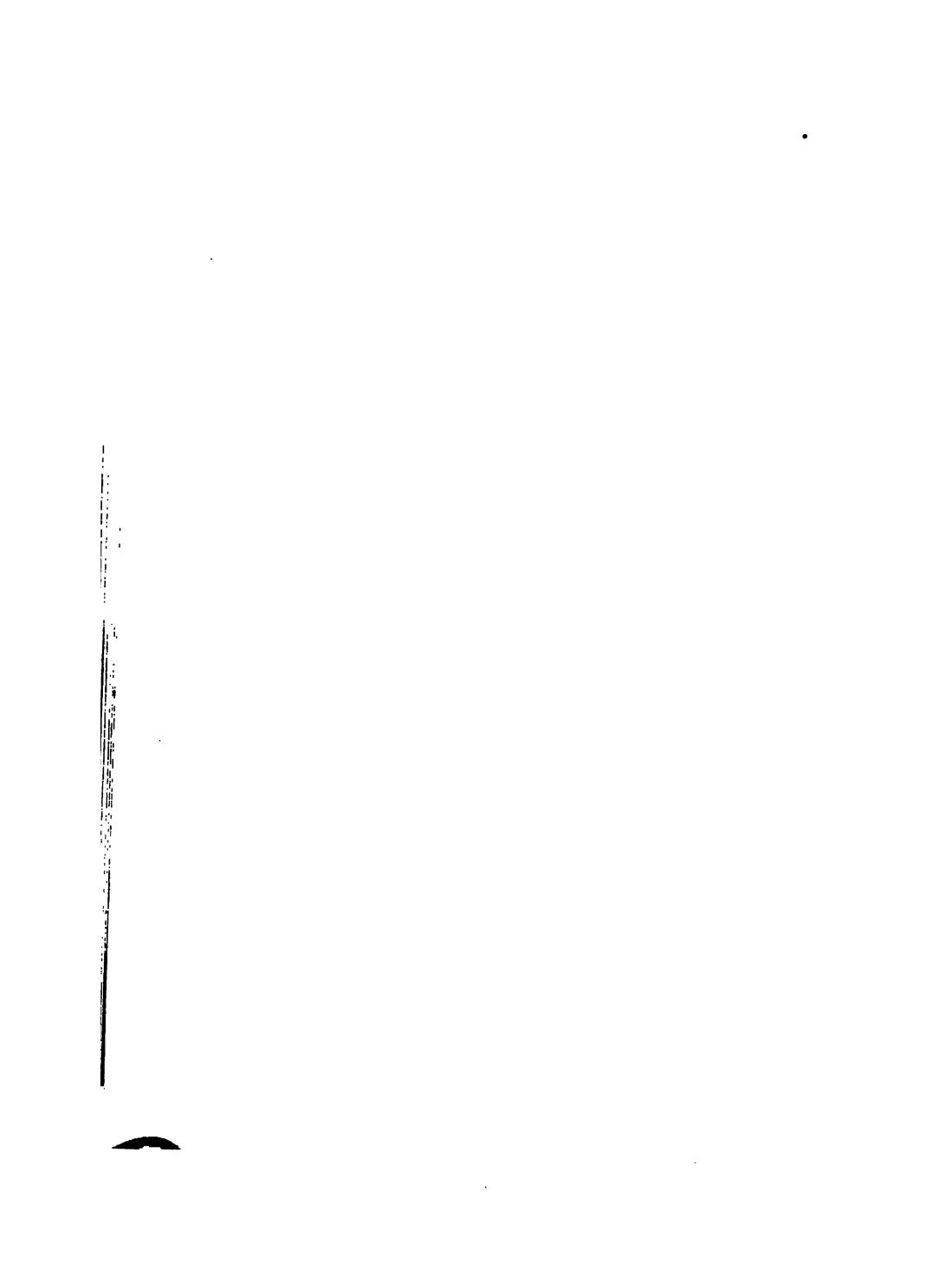




LETTER XIII.



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LETTER XIII.

Advertising in Local Newspapers—Advertising a Good Thing if Judiciously done—Inefficiency of Local Advertisements in Bringing Business—Some of the Requisites of Profitable Advertising—The Best Sort for Company and Agent.

MY DEAR BOY—Just how to answer your queries on the subject of ADVERTISING IN LOCAL NEWSPAPERS, so as to satisfy you and satisfy myself also, is a task more easily contemplated than performed.

Like yourself, “I believe in advertising,” but, unlike you, I would exercise some judgment about it. What you need, permit me to say, is to subject your exploits in that line to the same tests you do your own private investments, and to satisfy your own private judgment that, for you, a private individual, to liquidate those bills, would PAY. If it would NOT pay you, it would not pay us.

It is wonderfully easy to be liberal with other people's money; and to endure other people's annoyances; and to be resigned at other people's losses! You, doubtless, remember that illustrious patriot, Artemus Ward, and his

zealous willingness to sacrifice all his able-bodied relations on the altar of his country. It is so easy to "go in" when some one else pays the bills that you almost inevitably get on to a false standpoint and indulge a fictitious magnanimity.

I beg to remind you of the "state of the trade," insurance-wise, in your town (and yours is a fair sample of all the towns). Tell me honestly, does one risk per month—shall I say one risk per year, seek you? *Do not you seek them?* Do not you solicit, personally or otherwise, all the business that comes on your books? Of course I except that which would come any way—that which comes through your personal friends and those private influences which every man has; but I ask you to answer (to yourself if you will not to me), how many risks are BROUGHT to you in the course of a year? You know that your town is crowded with competition; that a dozen hungry agents are watching every expiration, that a dozen policies are waiting to cover every risk; that a merchant has only to nod and he can secure the attendance of any agent in town, and probably make him feel that he does him proud to permit him to compete for his business. Do I not, substantially, describe the true state of the insurance market you live and move in?

Admitted, eh?

Well, then, I insist upon some reasonable showing as to what considerable advantage can accrue to a company from advertising in your local paper under circumstances like the above, where nobody comes to you to purchase your wares, but where, in every case, you, not the property-holder, are the soliciting party.

Do not misunderstand me. "I believe in advertising." It is well enough, once or twice a year, to make your bow in a neat card, and secure, if you can, a kind word editor-

ially; but I do protest most emphatically against this wasteful expenditure of other people's money merely to tickle your personal vanity and give you a sort of local consequence—in your own eyes.

Advertising that does not attract attention to the thing advertised among those who want that thing, and induce them to come and buy it, is not of the paying sort, is it? Apply, now, that rule to the standing "spread" in your local paper, for which you have just rendered so large a bill, and when you have conscientiously named the customers it has brought you, you will probably find that their gross premiums (to say nothing of the profits realized) will not pay the printer.

Again, do not misunderstand me. "I believe in advertising," I recognize the necessity of familiarizing your people with the name and status of your several companies, so as to make your task of soliciting more easy and productive; and, to the extent of a transient card once or twice a year, I say use the ink of your local printer; but just so sure as IDENTITY is a prime element of value in the advertisements of a company, just so sure are the cards, circulars, blotters, lithographs and other materials sent you from the home office the best—infinitely the best—for that purpose, because they are solely devoted to one company and to the peculiar trade-mark, insignia, special features of that company, and are generally gotten up in attractive style and permanent form.

I do not know that the *Monitor* will print this letter; the advice I give may *seem* to be antagonistic to its interests, but in reality it is not so. There is not the remotest parallel between advertising in a local newspaper and advertising in a metropolitan insurance journal. The very conditions alluded to above, under which an advertisement ought to

pay, are fulfilled in the latter, which is specifically a medium of communication between insurance people. Identity is preserved, because only insurance advertisements are admitted. Advertisers in the *Monitor* attract customers who *come to them*; the paper circulates through the profession; companies advertising therein are placed directly before the trade, a trade that holds and controls nine-tenths of the business, and desires to know where best to place it; agents advertising therein get themselves right in sight of the companies, who are always wanting to know who are the live men in this and that city or town; there is no similitude between this sort of advertising and the sort I criticise.

And now, my boy, let me tell you about how to grade this thing. Go to the best, most prosperous and judicious merchants in your place and ascertain *what percentage of their gross sales they expend in advertising in the local papers*; just about that proportion of your premiums might, with propriety, be spent in that way if your customers came to you as they come to the merchant; but they do not, you go to them; and if you spend on the local papers one-half the proportion spent by the merchants, you pay a liberal price for all the return you can get from that quarter. That particular item of agency expense should be limited to a half per cent., and in no possible case to exceed one per cent. of your remittances; and yet you want us to smile patiently and approve bills that swallow nearly eight per cent. of our gross premiums for the period they cover! Go to! my boy; show me the merchant that spends eight per cent. of his gross sales in local advertising and I will show you a candidate for bankruptcy and the asylum for imbeciles!

No, no, my boy, the local advertising that *tells* is the active, intelligent, timely effort of a wide-awake agent; and

the more of that a company can get, the more money it can afford to spend on the other. Secure Smith's risk; speak the word in season to Brown; be in time with Jones, and do not neglect Thompson, and you can have the larger amount to spend on your local paper—the very thing you will not need to do, having done the other. But sit quietly in your office and rely on the half column ad. in the *Mus-tyville Expositor*, and Smith, Brown, Jones, *et al.* will go on the books of your competitor over the way, and you will have an experience illustrating that—however desirable salt may be to season an egg, it is still more desirable to have the egg to season. Salt alone is a remarkably dry diet, especially to the one who pays for it expecting it to be a flavoring merely.







LETTER XIV.







LETTER XIV.

General Agents and Their Wisdom—Brains not Monopolized by Them—An Ingenious Method for Ascertaining Damages—Gushing Liberality with Other People's Money—Zeal without Knowledge—The Rascally Claimants—Hand Sprinklers in a Picker Room.

DEAR MONITOR*—I am moved by your contributor who airs the General Agent question to say a word on that topic concerning the FIRE people, as he has spoken for the Life.

Among underwriters of the salamander persuasion the general agents do NOT monopolize the brains, nor the professional skill, nor the business ability. They average well

* These letters were originally contributed to the *Insurance Monitor*, and it has been found difficult, and in some cases impracticable, to omit allusions to that journal while revising them for this edition. Wherever it could be consistently done, paragraphs have been re-written or the name dropped, because it has been the desire of the editor not to obtrude the title of any journal; especially one of his own. In the present letter, and in some others, that plan could not be followed, for reasons obvious to any one who will note the structure of the letters themselves.

enough; I do not complain of them generally; but, as an officer grown gray in the service, as one who has had largely to do with managing the managers, and as one willing to crown them with all the laurels they have ever won, I protest that wisdom will *not* die with them.

Let me illustrate. You know I am fond of illustration; I prefer it to argument; most sensible writers do; their readers can "see it" sooner. Some level-headed savant has said: "Arguments are the walls that hold the building up; illustrations are the windows that let the light in." Then, let us have light.

1. A few samples of the genius of some of our general agents, in the pleasing and simple operation of adjusting losses, will be interesting, and will serve our purpose in the present connection. One of these "men of brains" recently went to a little town, not more than ten thousand miles from the centre of York State, where had been a fire. A policy-holder in his company had been exposed to the conflagration, and, in anticipation of the burning of his building, had removed his stock. The wind veered, the building did not burn, and the stock was placed on its old shelves again, in due time, all safe, but with some goods soiled and damaged, of course. G. A., Esq., put on his spectacles, the wise side up, and, in due time, got through an adjustment (alive) on the following basis.

He took the merchant's last inventory, and added to it the purchases made since the account of stock was taken; from this he deducted the sales, which showed the amount of stock that ought to be on hand at the time of the fire. He then proceeded to take a fresh invoice, to see what discrepancy there might be in the stock, and that deficit he nobly proposed to make good. He found the sum to be about \$1,500, and that he reported to me as the meas-

ture of our liability, being greatly elated with the skillfulness and the success of his labors.

This, mind you, O editor serene, was a settlement for *damages*; no goods had been lost; the claimant had read his policy, and, in replacing his goods, had carefully laid aside such as were injured by the removal, and the whole pile of damaged goods did not invoice more than half the sum named as our loss, and the specific damage thereon reached about ten per cent. of the same, at which figure the claim was finally settled, the owner standing his pro rata even of that. But I beg you to note the brilliancy of G. A., Esq., who spent three days and nights in useless and irrelevant labor, when, had he correctly apprehended the matter, he could have gotten well through the true adjustment in less than three hours, and not made a fool of himself or of the merchant either.

2. Having, through the above valuable experience, and the *course of lectures* which resulted from it, mastered the theory of adjusting a claim for "damages by removal," G. A., nothing daunted, proceeded to the next case in hand, where he found a rumpled stock of millinery. This was put in order; the sound separated from the injured, and damages upon the latter carefully and specifically appraised, in the usual manner; after ascertaining which, G. A., with touching simplicity and goodness of heart, allowed, in addition, a *general damage of ten per cent. on the entire stock of goods!*

3. One more "case of adjustment," and I will change the stops. G. A. has originality, not only in his modes, but in his ideas of things. Last year, we insured a party on his brick store building, *with frame rear extension*. Pending the insurance, the owner moved the frame away and built up a brick rear, to correspond with the rest of the building. In consideration of this improvement, the local

board reduced the rate to one per cent., but the assured let his policy run on at the old rate, and, intending to have a new policy on renewal, he neglected to have any indorsement made on the old one. But even first-class risks will sometimes burn, and, before the expiration of the insurance, this one was laid low. G. A. was on hand, and, upon an ascertainment of the facts, refused to pay the loss, on the plea that the building, when it burned, was not as described in the policy. I will not here discuss the law points that might (very properly, perhaps) be raised in such a case, but I quote the instance to air the peculiar views with which G. A. defended his position.

"Why," said he, "insurance companies have to pay a great many claims that they know are unjust, but which they can not prove so; and it is only fair that they should reject all claims they can not be compelled to pay, so as to split the difference and equalize matters as far as possible, even if they know such claims to be just and equitable. Claimants compel the companies to pay every penny, and for everything that the law will enforce under the contract, and why should not the ganders eat of the same sauce with which they feed the goose?"

My boy (this occurred at the place where my boy is agent; that is how I happen to have the information) asked him if he meant to say that he would avoid a just loss upon a pure technicality, merely to compensate for unjust claims that had been put upon the company by others. "Certainly," said he, "and even then we should not come out even with the rascally claimants!"

That reminds me of a chap I once stopped as he was going out of a railroad eating-house in Indiana, with my overcoat in his hand. "My friend," said I, gently, "I think you have made a mistake; that overcoat belongs to

me." "Is that so?" said he; "well, I am bound to have an overcoat *anyhow*; somebody has got mine," and he started back to the cloak-room after another!

What could be more artless or more sincere than these candid expressions? Have we not been laboring under a grand mistake for lo these many years? Is it really true that insurance is the offspring and the servant of commerce? "Servant, forsooth! What are insurance companies made for, if not to make money *out of* commerce?" says G. A.

Here is brain for you; here is discretion; here is experience, appreciation, professional knowledge; here's richness!

Speaking of my boy reminds me of his last "good thing." He sent in a report, recently, of a policy on a church building belonging to one of the straightest of the sects, the orthodox of the orthodox; in the written portion of which was the following clause: *Privilege granted to preach the doctrine of eternal fire without prejudice to this policy!*

Water being the correlative of fire, I may, in the above connection, be pardoned for alluding to one other recent scintillation of genius from G. A. He was raised (this in explanation of his limited knowledge of machinery and its arrangements) a gentleman's son, and, in his tender youth, assisted his mother in the care of her conservatory, watering the plants, etc. In a recent survey made by him of a cotton mill, was this answer to the question, "Is the picker room provided with sprinklers?" ANSWER—"Yes; hand-sprinklers." The innocent had observed a number of tin watering-pots about the premises and the recollections of his childhood furnished him with the above intelligent answer to Question No. 27.

I am sorry thus to have come rudely in conflict with your

estimable correspondent and champion of the General Agents. I make no doubt he is all right, so far as the Life people are concerned; but in our branch of the business the noodles are not confined to the official positions, but many of them roam abroad at their own sweet will, a spectacle to men and agents, playing fantastic tricks, and so confounding the business of insurance with that of Jeremiah Diddler, Esq., that many are in as much doubt regarding them, as they are in regard to any other "little joker" that they sometimes see, and again they don't, and never feel certain they know where to find him.

From all such, whether in Fire or Life, good MONITOR deliver us!





LETTER XV.







LETTER XV.

Moral Hazard—What the Agent Thinks it is—What the Patriarch Knows it is—The Mill that didn't Pay—"Surrounding Circumstances"—The Upper Crust Sources of Moral Hazard.

MY DEAR BOY—You have set me a hard task. I do not mean that it will be a difficult thing for me to say my say about

MORAL HAZARD,

and say it plainly ; but I shall have to do it my own way instead of yours ; and in so doing shall probably rub somebody's fur the wrong way, and possibly tread the tender toes of some of your clean-shirted Charles Augustuses, and win the undying disgust of several of your "first citizens" as well as of yourself !

When you think of "moral hazard" the vision of a grim-faced, snake-eyed, shaggy-browed, thin-mouthed, heavy-bearded, suspicious-mannered, tragic-looking scoundrel rises before you ; one of those Shylocky, picturesque, dagger-and-pistol fellows that are seen in plays, and read of in the police reports.

You have a well-defined notion of moral hazard and the sort of men to whom it attaches, *you* have (?)

When you see a stranger come to town with a small stock of goods, and "hang out" in a questionable locality, and attract no customers, and look dejected, and behave in a hang-dog manner generally, you set that man's risk down as a safe one to refuse; he doesn't catch an old bird like you with his sort of chaff; you scent moral hazard from afar—wise old boy, you. To be sure he never offered you his risk, but then if he should, you have your little speech all ready for him, the meandering villain!

Among your townsmen you have spotted old Gripe, and Deacon Lax, and Worm the distiller, and a few others of their kidney, who for their meanness and carelessness and rascality, you would not trust with a policy; not you, you understand the nature and bearing of moral hazard too well for that.

Now, my dear boy, you are perfectly right *as far as you go*, but you stop short of the subtle point of danger; just as Hine does in his instruction book when he says :

Moral hazard arises from the motive, intention, design, desire, will, or purpose of owners or others to burn property; and is directly the germ of fraud and a fire. Guard against it above all things, and if any taint of it be developed in the course of your examination, refuse the risk unconditionally.

That is sound, but it leaves half the ground uncovered, and the insidious, deceptive half at that. Let me illustrate my point rather than argue it.

You remember the controversy we had about the cancellation of our policy on the Wilberforce Mill? Well, all our reasons for persisting in that action could be compressed into two words—moral hazard!

There, don't explode! I know what you are going to

say. Both your hands are up in horror, and your mouth is full of malediction for my sacrilegious insinuation! BUT the mill burned, say I. BUT the origin of the fire was clear and satisfactory, say you. BUT THE MILL BURNED, say I again. No matter that the owners were further above suspicion than all the wives of all the Cæsars, the mill burned; and the physical causes of the fire, so clearly ascertained, would never have occurred (and so the fire itself) had there not been latent seed, leaven, source, occasion for them in those indefinite matters which we call "surrounding circumstances." I know the mill belonged to minor heirs, girls at that; rich, of old family, high blood, and unimpeachable station; I know they were in Europe at the time of the fire; I realize the absurdity and the wickedness of supposing for a moment that they had anything to do with it, but I make bold to remind you that the father, although the wealthiest man in the county and a leading man in the State, was a hard man and a peculiar man—a man who made enemies whose hatred for him and his will last through their own and their children's generations; that the men in charge of the property were of the same grade, the same experiences, and more or less in sympathy with the community rather than with the owners; that the dam had been broken for two years, and the capacity of the stream had before been demonstrated to be insufficient to work the mill profitably, and that no lessee could be found who would repair and run the mill, and pay a rental of two per cent. on the cost of the establishment.

Here were "surrounding circumstances" that made the owners indifferent to the property and unwilling to spend money for the care of that which was, and was likely ever to be, a burden; this involved neglect and carelessness on their part. The grade of men who could be induced to stay

in that lonesome place were not much above the grub species, with habits and morals as dilapidated as the property they were hired to guard. There were active enmities alive and hot, although the man who kindled them was dead and cold; and when it came out, after the fire, that two strangers had been through the mill with the watchman late that afternoon, ostensibly for the purpose of examining it with a view to business, that they smoked continuously while on the premises, using several matches in the course of their inspection, that one passed out with the watchman, while the other lingered behind a minute and then came out with a freshly-lighted cigar, that the fire was discovered well under headway a half-hour after their departure, and that the watchman was somewhat confused and contradictory in his statements, and quite as much intoxicated as confused, it made me feel glad that no portion of our money went to make up that basis of congratulation in which old Van Houtentouten, the executor and guardian indulged when he wrote the girls in Europe that the mill, which had only been a subject of taxation, expense and annoyance, was gone, and the insurance money had been invested in first-class, dividend-paying stocks—I hope some of them were insurance stocks !

One more shot, my boy, at the upper-crust sources of moral hazard and I will adjourn. You are safe from the approaches of gay deceivers of the baser sort, because you recognize them; but I must warn you against the Hon. Augustus Silvertop and Mr. President Overreach; men who mature their own plans and then, either by force of will or smoothness of tongue, consummate them, and would extinguish you under a sense of your own audacity were you to venture an objection; men who are, or presume they are, competent to gobble up an insurance agent,

to overawe or circumvent him, and use him for their own purposes ; men who have practiced on the high-toned plan for so many years that they actually expect you to write \$20,000 on property worth \$10,000 *because they tell you to*, and for no other reason ! and who would be thunderstruck at a refusal or modification of their demands, and would wither you for so reckless a suggestion, and compel you to kiss their royal feet before they would pardon your temerity and receive you back to favor. Several of these lordly gentlemen have attempted to swallow me at one point and another of my professional experience, but I always laid hard on their stomachs, and obstinately refused to digest. I recall one of those high-flown scions of the *noblesse*, a descendant direct from King Ahasuerus, and first cousin of all the codfish in the Atlantic Ocean, who is now wearing a costume of the zebra pattern, and boarding at an elegant State institution in the sprightly village of Joliet in the Commonwealth of Illinois, where he spends his moments of elegant leisure in the fascinating art of sculpture—they turn out an immense amount of stone-work at that institution.

You get my drift now, dear boy, and will not be either slow or timid, I trust, in reducing my suggestion to practice, and looking for that sum of all insurance villanies, moral hazard, in other than the narrow quarters that have heretofore attracted your suspicions.

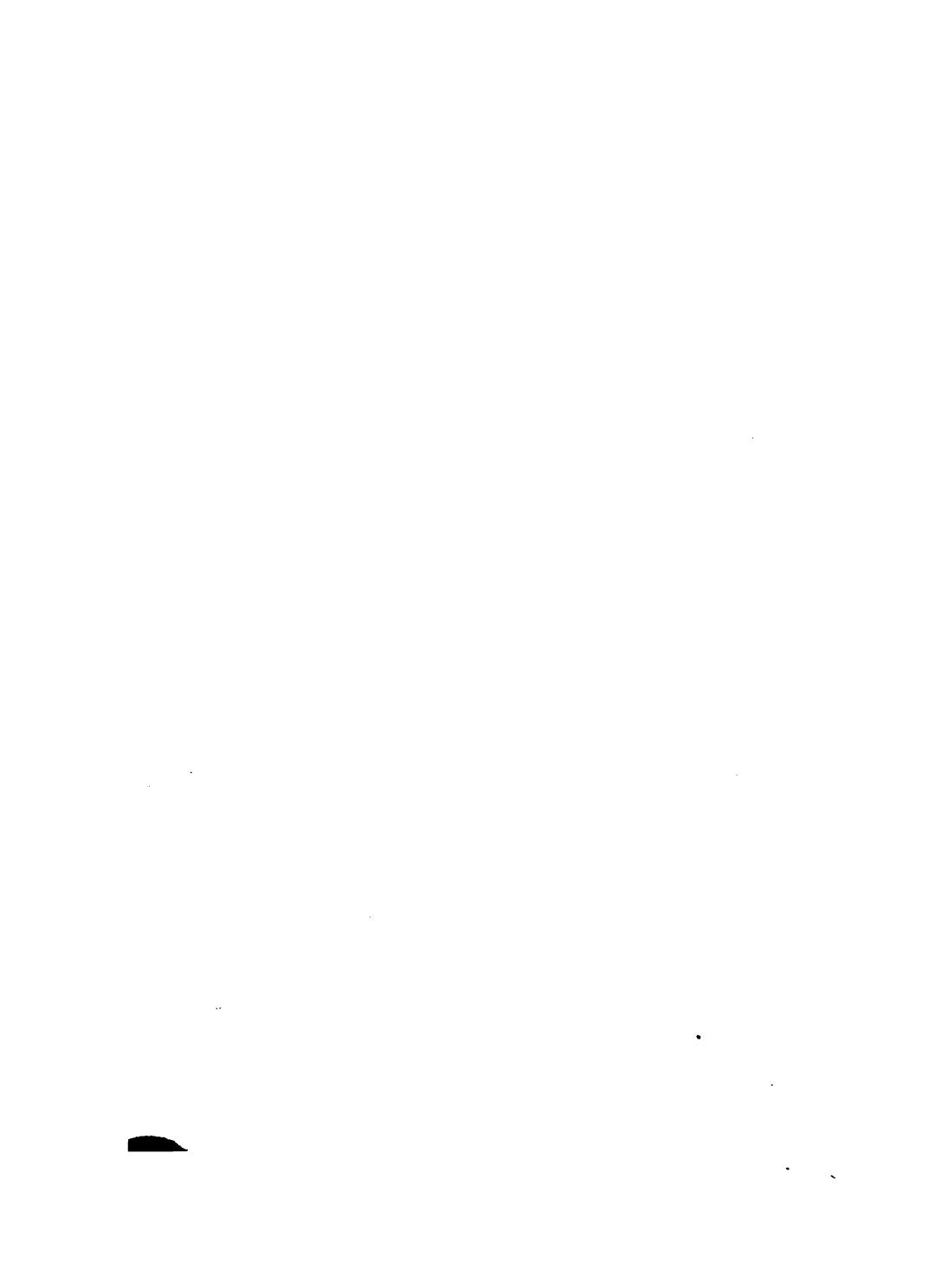






LETTER XVI.







LETTER XVI.

Conflict of Interests between Company and Agent—Two Sides to the Shield—The Relative Positions of Officer and Agent Defined and Harmonized—The Agent made President and Enabled to find out just how it is Himself.

MY DEAR BOY—I have not been specially eager to have you propound the queries you now present me, although I have long expected you would do so; and, now that the demands are made, I study what manner of response to return;—not that I doubt for a moment the propriety of the state of facts which perplexes you, but I fear that I may not treat it in such a manner as will satisfy you.

The fact is, there are two sides to the shield at which you, my doughty knight, are looking; and while you are fully warranted in swearing so lustily that it is silver, the other fellow is equally correct in his vehement asseveration that it is gold; and if you would both stop just there you would get on nicely, and, by and by, would each, perhaps, stroll around to the other's side and understand how both were right.

The difficulty is the same old one, of conflict between two parties, each of whom occupies only his own stand-point, while he fancies that he can see from the stand-point of the other also. It has been quarreled over in the *Monitor*, and probably will be until the millennium, between those who represent company interests on the one side and agency interests on the other.

You wish to know why we, at the parent office, write risks at 85 for which we compel you to get 100; why we accept soap factories and forbid you to take them; why we grant privileges to customers over our own counter that you are not permitted to grant; why—well, generally, why we do not install you President and directors of the company. You say your community is as honest as ours—I hope it is more so—that your risks are as good in every respect as ours, that the moral, physical, social, political, religious, æsthetical influences bearing upon your business will stand comparison, any day in the week, with ours, with all the world and the rest of mankind; all of which is doubtless true—*from your side of the shield*.

You interpret our adoption of a set of rules for the agencies, differing in some details from those that govern our practice at the home office, as a reflection on your honesty or your capacity. It is quite natural that you should feel so, and I am not at all certain that I shall be able to satisfy you in regard to those and kindred matters; and, as I might as well be hung for an old sheep as a lamb, I will put the most offensive side towards you first, thusly—you don't own the grocery and we do; you have no right whatever to dictate its regulations, at home or abroad, and we have; you are simply an agent, and if you don't like the connection you can change it at will; we have our money invested, our names advertised, our identity and connection with the

company established, our business reputation staked, and can not change if we would ; it is a matter of comparatively small moment to you whether the company succeeds or fails, is popular or unpopular ; you can throw up the agency and replace it with another in twenty-four hours ; but it is a very vital matter to us whether success or failure, popularity or unpopularity attend upon our enterprise.

Now I want you to comprehend that these relative positions, of principal and agent, have their compensations, and that those compensations are reasonable and right. If your obligations rest lightly upon you and can be shifted easily, and if ours bear heavily and can not be commuted at all, is it not correct, is it not reasonable that we should dictate, so far as dictation may be necessary, the policy of the company ? I am not now answering your questions, I will come to them in due course, I desire that our relative positions as principal and agent should be made clear—those are the two sides of the shield concerning which the fight is waging, and, those two sides revealed to the sight of both combatants, the rest will be easily settled.

I want you, my boy, to take the case and transfer it to your own town. There are Wilson the miller, and Scott the merchant, and Eaton the banker, and Wallace the lumberman, and a dozen others with whom you are familiar, and in whom you have implicit confidence. They are men of standing, of wealth, of good judgment, of business experience, of sterling integrity. They start a company ; they pay up one, two or three hundred thousand dollars of their hard-earned cash, and, electing you President, they put the concern in your hands *and hold you responsible for the results.* Your engagements, your allegiance, your duties, your anxieties are now of a very different character from those which sat so lightly and so changefully upon you as agent

of a half dozen other companies. Every fire that burns, every boat that sinks, every investment that wavers, is attributed to you as the guilty wretch who must answer for every circumstance which bears upon the profit or the loss of the enterprise. Scott and Wilson *et al.* are not philanthropists ; they are simply sharp business men, who want their dividends, and who have employed you to make profits for them. Your high-backed, spring-cushioned, black walnut chair is not, after all, the seat of roses you fancied, and when your friend Jones, whom you appointed agent in Jonesboro, and your friend Smith, whom you likewise made agent at Smithville, write you impatient letters, each wanting you to adopt plans at variance with your own, and contradictory to each other, you will see that you can not please one without offending the other, nor either without stultifying yourself, and you will perhaps come to the conclusion that it is useless to think of playing the willow and absolutely necessary to play the oak.

Now let me come closer to your inquiries, begging you all the time to keep the foregoing in remembrance. Closely allied to the premises I have laid down is this general fact, that *every one will look after his own interests more closely than he can get any one else to look after them.* This means that you, as President, will give a closer, a more careful and critical attention to each transaction involving a rate, a risk, a privilege, an applicant, than Smith or Jones will give —more careful, in fact, than you yourself formerly gave as agent. It means that this aggregate of particularity, this continuity of watchfulness, warrants you in a wider range of discretion than you can safely allow to your agents ; warrants you in doing things which you will not permit them to do ; warrants you in adopting a different and a more liberal set of rules for your own guidance than you will dare

vouchsafe to them, and if they can not see the reasonableness of your position, it only proves that they gaze solely on their side of the shield and do not come around to look at yours ; and when they complain you will be justified in telling them that they know nothing of the forty demands you have rejected but only gape at the one you have conceded ; and (if you think they will stand it) you may perhaps intimate to them the desirableness of their attending to their own business as agents, and permitting you to attend to yours as officer, accompanied with the assurance that, kindly as their intentions may be, the company will not accept their discharge of your duties—in short, that they can not, in the nature of the case, perform them.

In regard to the variations of rates, they are caused by a variety of circumstances ; the construction and exposure of buildings, the fire department, the police, the telegraph, the judgment of local boards, and so on ; but if in all these respects there were a dead level, the country through, *the difference in expense* would justify a lower rate at the home office than at the agency. You must remember that *the whole* of every dollar we collect from the home customers goes into our till, whereas only about eighty cents of the dollar you collect ever reaches us ; your commission reduces it fifteen cents at one fell swoop, and the other expenses peculiar to the agency shave off another five.

Now, my dear boy, if I have not answered your questions as specifically and as satisfactorily as you wished, please attribute my failure to the difficulties of the subject and not to any lack of fairness or good intent on my part. This is one of the themes on which there always has been a wire-edge and I am afraid there always will be.



1



LETTER XVII.

What I Know about Insurance Journals and the Value of Advertising in Them—A Screed from ye Patriarch which He is not Afraid or Ashamed to have every Insurance Officer and Agent in ye Countrie read.



YOU ask me for my opinion of insurance journals. I can give it without stopping to think, for I know exactly what my opinion is !

For more than thirty years I have been in this business of insurance as agent, special, adjuster, officer—what not ? Twelve, fifteen, twenty years ago, I was an active agent in a Western town of 30,000 population. It is no egotism in me to say that I was the autocrat of insurance in that town. I represented the best companies, and I worked like a beaver. Work will tell ; it did the job for me, and in the course of a few years I found myself “the insurance man” *par excellence* of that place.

What has that to do with insurance journals ?

Wait a minute, young man, and you will find out ! I was agent for the Ætna for several years, when I had a slight unpleasantness with Mr. Bennett, and extended him an invitation to resign his position as my boss, which he ac-

cepted, sending one of his crack men to take the *Ætna* agency away from me and run it with increased power and great speed! Thus, you see, I was short a "leading company," but I *borrowed* the Home agency of my good friend Charlie Applegate—rest his bones, he's dead now, five years or more—and as those *Ætna* risks expired, I transferred them all to my new company.

All?

Yes, nearly all; I put more than ninety-five per cent. of them in the Home. They were my buttons, those risks were. I had worked them up among my friends and business acquaintances, and the entire *Ætna* company, President Brace and his whole Board of Directors included, couldn't have kept them from me if they had come on the ground bodily!

You don't see what that has to do with insurance journals?

That's because you are a blockhead! I want you first to understand that I controlled, to no inconsiderable extent, the insurance business of that town; and then I will let you into the secret of how Tom Jones' *Monitor* controlled me.

Oh, that's the point, is it?

Yes; that's the point. I took that paper and I read every word there was in it. I examined monthly every advertisement it contained. I was entirely familiar with the names of the officers of each company, with its assets, its plans, its progress, its peculiarities—if it had any—its standing, its everything, so far as it chose to disclose them in its advertisements. That's the way the agents—the live ones that are good for anything—do; they read, and think, and remember. Your blue-blooded, black-walnuted, spring-bottomed officers think they know it all, and turn up their

precious noses and sniff at an insurance paper, not comprehending the fact that the very sheet they disregard may be the making or unmaking of their company with forty men outside, either one of whom is of more vital account to the institution than they are!

He won't print it if I talk so about the officers?

Don't you believe it; he would miss more than I by rejecting it. Besides that, it is healthy to speak the truth with the bark on, now and then. You interrupted me. I was going on to say that whenever anything in the way of insurance; fire, life, or otherwise; came to our town, it was sent right over to me. I was "the insurance man," you know; and the specials all knew the way to my office as naturally as an ass knows his way to his master's crib. And what astonishing specimens some of them were, to be sure! I remember one young fellow from York. Dressed? Oh, my! He wore store clothes throughout, and parted his hair in the middle, and smelt like an essence-peddler; and he understood as much insurance as I did didactic theology—just about! But I took his company, though, for I had made up my mind about it from what I had studied out of its advertisement. That was how it worked, you see; *the paper kept me posted*; and the minute a man mentioned his company, I knew whether I wanted it at all, and what I wanted it for. *I knew something about that company.* If he was smart and understood his business, he was pleased at that, and generally succeeded in placing the agency on a more satisfactory basis than he could possibly do with one to whom it was a perfect stranger. If he wasn't smart, he generally got rubbed up a little by hitting against a man who could ask him something about his own company that he couldn't answer, and he was sure to be better posted the next time he came around,

You needn't smile, young man! I am not at all conceitful, but I did learn a great deal about the companies out of that paper, and I think that agents such as I do very much as I do, or as I *did*, rather; for I am an officer now, you know. I think that an honest, instructive, well-conducted insurance journal performs a mission of usefulness to the companies, that can be performed by no other instrumentality in the world, just because it is a purely professional journal, and the agents read it and are influenced by it; and the agents are the foundation-stones on which the business of the large companies rest. They do control, each his own circle of trade, and the Angel Gabriel couldn't prevent it! We gentlemen with much clean linen don't like to confess that—especially those of us who owe our official position to the fact that our rich uncle owned considerable stock. We have a notion that, somehow or other, the business you agents have gathered up belongs to the company, and is controlled by it.

Aren't I contradicting my former record, when I used to write, as an officer, to the agents and blow them up for not doing precisely as the company dictated?

Contradicting my record? Perhaps you never heard the story of the Indiana judge, and his skill in orthography?

No?

Well, he was a man of great good sense and high legal attainments, although his early opportunities had been limited. One day a young sprig of the law, fresh from the schools, thinking to put a bug in the judge's ear and a feather in his own cap at the same time, called attention somewhat ostentatiously, to some bad spelling in one of his honor's written documents.

The judge turned upon the little whipster, and with his big bass voice, roared out, "Young man, do you suppose

that I am such an idiot as not to know how to spell a word *more than one way?*"

Now, of all the words in the entire range of my philosophy, there is not one which can be spelled so many different ways as "insurance!" No, my boy, I am *not* contradicting a single line of my former record. Some agents are fools, and some officers are fools; honors are tolerably easy, so far as that goes.

Getting away from my subject and proving that some *writers* are fools also, eh?

That's because you asked me questions and interrupted me with your impertinence. I have given you my opinion about insurance journals, and now I am going to quit. I am only sorry that I have not made it more emphatic, for I believe in them through and through—those that are out-and-out *insurance journals*.

Haven't much circulation out of the insurance profession?

Oh, I have talked long enough, now; and besides, those fools of editors are, all of them, more sensitive than a new shoe full of bunions about their precious circulation! Just as if the strength and influence of a *specialty* paper depended on the number of copies it printed. Why, boy, I tell you there are sheets in this country, which, with an issue of each thousand, wield a power to which scores that issue forty thousand are as total strangers as Mormons are to modesty. You may take all the insurance journals in America, aggregate their annual editions, and multiply the sum total by ten, and then you have only a fraction of the number of copies printed in a year by a single one of the great dailies. Don't talk about *mere numerical strength* in connection with an insurance journal—it is all fudge.

The thing for an insurance paper to do is just what the

Monitor did to me, ten to eighteen years ago—and is doing still—tell the agents, and the officers, and the solicitors, and the brokers, and the adjusters, and all the other fellows who have to do with the business, all about insurance, *insurance*, *INSURANCE*, *INSURANCE*, and then add a little more insurance for seasoning! Keep them all posted about the companies. To stand well in the agency world, in the insurance field, *in the trade*; is fame and fortune to any company. The opposite is quite the reverse. That field is the one on which the able insurance paper makes its mark, and, so that it circulates through and through that field, it is a power, for good or evil, not approached by any other in the world. You take care of the agents, and the agents will take care of the business.

That's my opinion, young man.



AUSGESPIELT



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